

**CONTRACT #5
RFS # 317.05-097
FA-05-16328**

**Department of Finance and
Administration
Division of Accounts**

**VENDOR:
Discover Financial Services,
Inc.**



RECEIVED

FEB 12 2008

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF ACCOUNTS
21ST FLOOR, WILLIAM R. SNODGRASS TENNESSEE TOWER
312 - 8TH AVENUE, NORTH
NASHVILLE, TENNESSEE 37243-0293

FISCAL REVIEW

DAVE GOETZ
COMMISSIONER

To: Jim White, Director
Fiscal Review Committee

From: Jan I. Sylvia *Jan I. Sylvia*
Chief of Accounts

Subject: Request for review of amendments to increase maximum liability of
contracts for credit card acceptance and processing

Date: February 5, 2008

The State of Tennessee accepts credit cards for payment. Currently, American Express, Discover, Diner's Club, MasterCard and VISA are accepted.

The Division of Accounts maintains 3 contracts for the acceptance and processing of these credit cards. The 3 contracts are:

- American Express (acceptance of American Express credit card) obtained via Non-Competitive Request
- Discover (acceptance of Discover credit card) obtained via Non-Competitive Request
- Link2Gov (credit/debit card acceptance and processing services) obtained via Alternative Procurement Request

Due to the increased number of transactions and the increase in the number of merchant locations, the maximum liability needs to be increased for these contracts.

Also, contact information in Section E.2. is being updated.

All required documentation is attached.

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

RECEIVED

FEB 12 2008


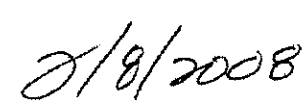
Commissioner of Finance & Administration

Date:

FISCAL REVIEW

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	317.05-097	
2) State Agency Name :	DEPARTMENT OF FINANCE AND ADMINISTRATION	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	Acceptance of Discover Cards	
4) Contractor :	DISCOVER FINANCIAL SERVICES, INC.	
5) Contract #	FA-05-16328	
6) Contract Start Date :	May 1, 2005	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	April 30, 2010	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$250,000.00	
PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	One	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	April 10, 2008	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	April 30, 2010	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$350,000.00	
13) Approval Criteria : (select one)	<input checked="checked" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
Amendment increases contract's maximum liability in order to continue accepting Discover credit cards. This amendment does not provide for any additional services nor does it impact the contract's current scope of services. The contact information in Section E.2. is updated.		

15) Explanation of Need for the Proposed Amendment :	
In order to provide Discover cards as a payment option, an amendment to increase the maximum liability of the contract that governs the rules relating to the acceptance and processing of Discover cards is required because the number of merchant locations and the volume of transaction activity have increased.	
16) Name & Address of Contractor's Current Principal Owner(s) : (not required if proposed contractor is a state education institution)	
DISCOVER FINANCIAL SERVICES, INC. 2500 Lake Cook Road, Riverwoods, Illinois 60015	
17) Documentation of Office for Information Resources Endorsement : (required <u>only</u> if the subject service involves information technology)	
select one:	<input checked="checked" type="checkbox"/> Documentation Not Applicable to this Request <input type="checkbox"/> Documentation Attached to this Request
18) Documentation of Department of Personnel Endorsement : (required <u>only</u> if the subject service involves training for state employees)	
select one:	<input checked="checked" type="checkbox"/> Documentation Not Applicable to this Request <input type="checkbox"/> Documentation Attached to this Request
19) Documentation of State Architect Endorsement : (required <u>only</u> if the subject service involves construction or real property related services)	
select one:	<input checked="checked" type="checkbox"/> Documentation Not Applicable to this Request <input type="checkbox"/> Documentation Attached to this Request
20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :	
Other procurement alternatives are not applicable; In order to continue accepting Discover credit cards this amendment to increase the current contract's maximum liability is necessary.	
21) Justification for the Proposed Non-Competitive Amendment :	
The maximum liability needs to be increased due to the increase in fees because the number of merchant locations and the volume of transaction activity have increased.	
REQUESTING AGENCY HEAD SIGNATURE & DATE : (must be signed & dated by the <u>ACTUAL</u> procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)	
	
Agency Head Signature	Date

CONTRACT SUMMARY SHEET

121107

RFP#		Contract #	
317.05-097		FA-05-16328-	
State Agency		State Agency Division	
Finance and Administration		Division of Accounts	
Contractor Name		Contractor ID # (FEIN or SSN)	
Discover Financial Services, Inc.		<input type="checkbox"/> C- or <input checked="" type="checkbox"/> X V- 364020792	
Service Description			
To provide the ability for the state to accept payment for Discover credit cards			
Contract BEGIN Date	Contract END Date	Subcontract or Vendor?	CPDA #
5/1/2005	4/30/2010	Vendor	
Make Each TRUE Statement			
<input checked="" type="checkbox"/> Contractor is on STARS		<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts	
Allotment Code	Cost Center	Objcat Code	Fund
317.05	51220	083	12
FY	State	Federal	Interdepartmental
2005			\$ 10,000.00
2006			\$ 50,000.00
2007			\$ 50,000.00
2008			\$ 95,000.00
2009			\$ 90,000.00
2010			\$ 55,000.00
TOTAL	\$ -	\$ -	\$ 350,000.00
State Agency Fiscal Contact & Telephone			
Rhonda Hicks -- 741.9795			
FY	End Contract & Prior Amendments	THIS Amendment ONLY	State Agency Budget Officer Approval
2005	\$ 10,000.00		Funding Certification (certification, required by T.C.A. § 9-4-31 (a), that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
2006	\$ 50,000.00		
2007	\$ 50,000.00	\$ -	
2008	\$ 50,000.00	\$ 45,000.00	
2009	\$ 50,000.00	\$ 40,000.00	
2010	\$ 40,000.00	\$ 15,000.00	
TOTAL	\$ 250,000.00	\$ 100,000.00	
End Date	4/30/2010	4/30/2010	
Contractor Ownership (complete for ALL base contracts -- N/A to amendments or delegated authorities)			
<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> Government
<input type="checkbox"/> NOT Minority/Disadvantaged			
Contract Selection Method (complete for ALL base contracts -- N/A to amendments or delegated authorities)			
<input type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation*		<input type="checkbox"/> Alternative Competitive Method*
<input type="checkbox"/> Non-Competitive Negotiation*	<input type="checkbox"/> Negotiation w/ Government (ID, GG, GU)		
Procurement Process Summary (complete for Non-Competitive Negotiation, Competitive Negotiation, OR Alternative Method)			

**AMENDMENT ONE
TO FA-05-16328**

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration and Discover Financial Services, Inc., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of Contract Section C.1. Maximum Liability. is deleted in its entirety and replaced with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Three Hundred Fifty Thousand Dollars (\$350,000.00). The Unit Prices in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Unit Prices include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Unit Prices detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

2. The text of Contract Section E.2. Communications and Contacts. is deleted in its entirety and replaced with the following:

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Annette White, Director of Cash Management
Department of Finance and Administration
312 8th Avenue North, 14th Floor Tennessee Tower, Nashville, TN 37243
Annette.A.White@state.tn.us
Telephone # 615.532.1088
FAX # 615.532.2332

The Contractor:

Discover Financial Services
2435 Kirk Lane, Kennesaw, Georgia 30152

@discoverfinancial.com
Telephone # 1.800.347.7038
FAX # _____

} Discover to
provide
new field
ref info

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

The revisions set forth herein shall be effective April 10, 2008. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

DISCOVER FINANCIAL SERVICES, INC.:

CONTRACTOR SIGNATURE

DATE

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. GOETZ, JR., COMMISSIONER

DATE

APPROVED:

M. D. GOETZ, JR., COMMISSIONER

DATE

DEPARTMENT OF FINANCE AND ADMINISTRATION

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

DATE



FISCAL REVIEW COMMITTEE
STATE OF TENNESSEE
8th FLOOR, RACHEL JACKSON BUILDING
NASHVILLE, TN 37243-0057
(615) 741-2564

Representative Charles Curtiss
House Chairman

MEMORANDUM

TO: The Honorable Dave Goetz, Commissioner
Department of Finance and Administration

FROM: Charles Curtiss, House Chairman

DATE: January 26, 2005

SUBJECT: Contract Comments (Contract Services Subcommittee
Meeting 1/25/05)

RFS# 317.05-032

Department: Finance and Administration

Contractor: Discover Financial Services, Inc.

Summary: Provide the ability for the State of Tennessee to accept payments via Discover credit cards at state facilities and through the State Portal.

Maximum liability: \$250,000

After reviewing the above-referenced contract request the Fiscal Review Committee voted to recommend approval of the contract by the Commissioner of the Department of Finance and Administration.

CC:LSC

cc: The Honorable Dave Goetz, Commissioner,
Department of Finance and Administration
Mr. Robert Barlow, Director of Contracts Review

REQUEST: NON-COMPETITIVE CONTRACT

APPROVED

Commissioner of Finance & Administration

Date:

Each of the request items below indicates specific information that must be individually detailed or addressed as required. A REQUEST CAN NOT BE CONSIDERED IF INFORMATION PROVIDED IS INCOMPLETE, NON-RESPONSIVE, OR DOES NOT CLEARLY ADDRESS EACH OF THE REQUIREMENTS INDIVIDUALLY AS REQUIRED.

RFS #

317.05-032

STATE AGENCY NAME :

Finance and Administration

SERVICE CAPTION :

Discover Card Acceptance & Settlement

PROPOSED CONTRACTOR :

Discover Financial Services, Inc.

CONTRACT START DATE :

(if date is < 60 days after F&A receipt, attach required explanation)

5/1/2005

LATEST POSSIBLE END DATE :

(including ALL options to extend)

4/30/2010

TOTAL MAXIMUM COST :

(including ALL options to extend)

\$250,000

APPROVAL CRITERIA :

(select one)



use of Non-Competitive Negotiation is in the best interest of the state



only one uniquely qualified service provider able to provide the service

ADDITIONAL REQUIRED REQUEST DETAILS BELOW (address each item immediately following the requirement text)

(1) description of service to be acquired :

To provide the ability for the State of Tennessee to accept payments via Discover credit cards at state facilities and on Tennessee.gov

(2) explanation of the need for or requirement placed on the procuring agency to acquire the service :

In order to provide Discover cards as a payment option at state parks and on Tennessee.gov, a contract that governs the rules relating to the acceptance and processing of Discover cards is required. The contract with Discover Financial Services, Inc. covers rules on the state acceptance of Discover cards, appropriate charges, settlement, payment, and problem resolution. Because the State can only contract with Discover to obtain these services, the contract must be procured on a non-competitive basis. The actual Discover charges are processed electronically through the Visa/Mastercard system. The Division of Accounts maintains a separate contract for this service that is competitively bid.

The Division of Accounts also maintains similar contracts with Diner's Club and American Express for card acceptance and settlement. These contracts are also procured on a non-competitive basis since there is a single corporate entity with which the State can contract for the acceptance and processing of each card type.

(3) explanation of whether the service was ever bought by the procuring agency in the past, and if so, what method was used

to acquire it :

The State of Tennessee has contracted with Discover since May 1, 1995.

(4) name and address of the proposed contractor's principal owner(s) :
(not required if proposed contractor is a state education institution)

Donna J. Jenkins, President, Sales

Discover Financial Services, Inc.

2500 Lake Cook Road, BB-2E

Riverwoods, Illinois 60015

(5) evidence that the proposed contractor has experience in providing the service and evidence of the length of time the contractor has provided service :

There is only one corporate entity in the United States that offers such services, Discover Financial Services, Inc

(6) documentation of OIR endorsement of the Non-Competitive procurement request :
(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(7) documentation of Department of Personnel endorsement of the Non-Competitive procurement request :
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(8) description of procuring agency efforts to identify reasonable, competitive, procurement alternatives rather than to use non-competitive negotiation :

There are no alternative ways to establish this contract for the Discover Card Acceptance & Settlement. The alternative is to not offer the Discover card as a payment option to those procuring state services.

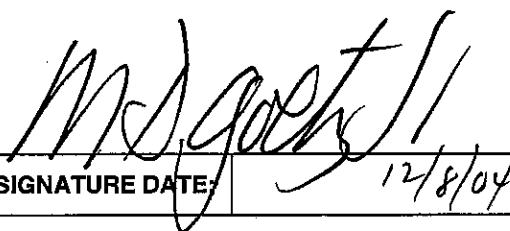
(9) justification of why the state should acquire the service through Non-Competitive Negotiation rather than through a competitive process :
(Being the "only known" or "best" service provider to perform the service as desired will not be deemed adequate justification.)

In order to provide the Discover card as a payment option to those procuring state services, a contract for acceptance and settlement with Discover Financial Services, Inc. is required.

AGENCY HEAD REQUEST SIGNATURE:

(must be signed by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR — signature by an authorized signatory will be accepted only in documented exigent circumstances)

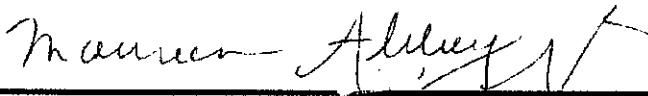
SIGNATURE DATE


12/8/04

021408

Cost center change 2007 to 4831

CONTRACT SUMMARY SHEET

RFS Number:	317.05-044		Contract Number:	FA-05-16328-00		
Agency:	Finance and Administration		Division:	Accounts		
Contractor			Contractor Identification Number			
Discover Financial Services, Inc.			X	V-	364020792	
				C-		
Service Description						
To provide the ability for the state to accept payment for Discover credit cards						
Contract Begin Date			Contract End Date			
May 1, 2005			April 30, 2010			
Allotment Code	Cost Center	Object Code	Fund	Grant	Grant Code	Subgrant Code
317.05	2007	083	12	on STARS		
FY	State Funds	Federal Funds	Interdepartmental Funds	Other Funding	Total Contract Amount (including ALL amendments)	
2005			10,000		10,000	
2006			50,000	OCR RELEASED	50,000	
2007			50,000	APR 29 2005	50,000	
2008			50,000	TO ACCOUNTS	50,000	
2009			50,000		50,000	
2010			40,000		40,000	
Total:	-	-	250,000	-	250,000	
CFDA #	State Fiscal Contact			Check the box ONLY if the answer is YES:		
Name:	Rhonda Hicks			Is the Contractor a SUBRECIPIENT? (per OMB A-133)		
Address:	14th Floor 312 8th Ave N			Is the Contractor a VENDOR? (per OMB A-133)		
Phone:	741-9795			Is the Fiscal Year Funding STRICTLY LIMITED?		
Procuring Agency Budget Officer Approval Signature				Is the Contractor on STARS?		
				Is the Contractor's FORM W-9 ATTACHED?		
				Is the Contractors Form W-9 Filed with Accounts?		
COMPLETE FOR ALL AMENDMENTS (only)				Funding Certification		
Base Contract & Prior Amendments				Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.		
This Amendment ONLY						
END DATE →						
FY:						
FY:						
FY:						
FY:						
FY:						
Total:						

RECEIVED
2005 APR 28 AM 10:21
DEPT. OF REVENUE
MANAGEMENT SERVICES

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF FINANCE AND ADMINISTRATION
AND
DISCOVER FINANCIAL SERVICES, INC.**

This Contract, by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the "State" and Discover Financial Services, Inc., hereinafter referred to as the "Contractor," is for the provision of accepting and processing of the Discover credit card transactions, as further defined in the "SCOPE OF SERVICES."

The Contractor is for-profit corporation. The Contractor's address is:

2500 Lake Cook Road
Riverwoods, Illinois 60015

The Contractor's place of incorporation or organization is Delaware.

A. SCOPE OF SERVICES:

- A.1. The Scope of Services is defined in the "Governmental, Educational and Public Sector Merchant Services Agreement" and the "Discover Network Merchant Operating Regulations" which are collectively attached as Appendix A. If there is any conflict between this Contract and the terms of Appendix A, the terms of this Contract will control. Paragraph 16 Term and Termination, on page A-2 of Appendix A, is not applicable to this Contract. The Contractor may not exercise any termination right specified in Appendix A without giving the State proper notice and an opportunity to cure the alleged grounds for termination.

B. CONTRACT TERM:

- B.1. Contract Term. This Contract shall be effective for the period commencing on May 1, 2005 and ending on April 30, 2010. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

C. PAYMENT TERMS AND CONDITIONS:

- C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Two Hundred Fifty Thousand Dollars (\$250,000.00). The Unit Prices in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Unit Prices include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Unit Prices detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

- C.2. Compensation Firm. The Unit Prices and the Maximum Liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.

- C.3. Payment Methodology. The Contractor shall be compensated based on the Unit Prices herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service defined in Section A. The Contractor shall be compensated based upon the following:

Cost Item Description	Unit	Unit Price- Year 1	Unit Price- Year 2	Unit Price- Year 3	Unit Price- Year 4	Unit Price- Year 5
Merchant Fee	% of Net Sales	1.87	1.89	1.91	1.93	1.95
Stored Value Cards	% of Net Sales	1.50	1.51	1.53	1.54	1.56
Signature Debit Cards	% of Net Sales	1.50	1.51	1.53	1.54	1.56
Commercial Cards	% of Net Sales	1.87	1.89	1.91	1.93	1.95
Voice Usage Fee	Each	\$.50	\$.50	\$.50	\$.50	\$.50
State Transaction Fee	Each	\$.50	\$.50	\$.50	\$.50	\$.50

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation. Such invoices shall be submitted for completed units of service for the amount stipulated.

- C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.5. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.6. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.
- C.7. Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.

D. STANDARD TERMS AND CONDITIONS:

- D.1. Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations. Amendments to credit card processing procedures required under the Merchant Services Agreement are not included in this provision, provided that the Contractor may not make any amendments which would materially alter the obligations of the State.
- D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least thirty (30) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.
- D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.
- D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8. Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly

appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

- D.9. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.10. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.11. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.12. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.
- The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.
- D.13. State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.14. Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.15. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.16. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under **Tennessee Code Annotated**, Sections 9-8-101 through 9-8-407.
- D.17. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.18. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.

D.19. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

Terry Mason, Accounting Manager
Department of Finance and Administration
312 8th Avenue North, 14th Floor Tennessee Tower, Nashville, TN 37243
615.741.9744
615.532.2332 fax

The Contractor:

Susan Hemstreet Peek
Account Executive – Emerging Markets
2435 Kirk Lane, Kennesaw, Georgia 30152
1.800.229.0058 ext 586
678.355.6755 fax

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

E.3. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed.

E.4. Confidentiality of Records. Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with State law and ethical standards.

The Contractor will be deemed to have satisfied its obligations under this section by exercising the same level of care to preserve the confidentiality of the State's information as the Contractor exercises to protect its own confidential information so long as such standard of care does not violate the applicable provisions of the first paragraph of this section.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the

Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

- E.5. Factoring. Factoring is the submission of sales data regarding a Card sale made by another business not covered under this Contract. This is considered a breach and may cause termination of the Contract by the Contractor without notice and Card sales are subject to chargeback by the Contractor. The State agrees not to factor any Card sales.
- E.6. Date/Time Hold Harmless. As required by *Tennessee Code Annotated*, Section 12-4-118, the contractor shall hold harmless and indemnify the State of Tennessee; its officers and employees; and any agency or political subdivision of the State for any breach of contract caused directly or indirectly by the failure of computer software or any device containing a computer processor to accurately or properly recognize, calculate, display, sort or otherwise process dates or times.
- E.7. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in Tennessee Code Annotated, Section 8-36-801, et. seq., the law governing the Tennessee Consolidated Retirement System, provides that if a retired member returns to State employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to the Tennessee Consolidated Retirement System the amount of retirement benefits the Contractor received from the Retirement System during the period of this Contract.
- E.8. Assignment for Cause. The Contractor retains the right to assign this Contract to a direct or indirect parent, subsidiary or affiliate of Discover Financial Services, Inc. and notify the State after such assignment is made.

IN WITNESS WHEREOF:

DISCOVER FINANCIAL SERVICES, INC.:

Donna J. Jenkins 4/13/05
Donna J. Jenkins, ~~President~~, Sales Date
Vice President of

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz Jr. 4-20-05
M. D. Goetz, Jr., Commissioner Date *will*

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz Jr. 4-28-05
M. D. Goetz, Jr., Commissioner Date

COMPTROLLER OF THE TREASURY:

John G. Morgan 4/28/05
John G. Morgan, Comptroller of the Treasury Date

APPENDIX A

Governmental, Educational, and Public Sector Merchant Services Agreement and Discover Network Merchant Operating Regulations

Governmental, Educational or Public Sector Entity		Surcharge Approved <input type="checkbox"/> Yes <input type="checkbox"/> No	
Street Address	City	State	Zip Code
Merchant Fee %	Merchant Fee cents	Voice Usage Fee	State Transaction Fee
Transaction Fee Tiers			

In this Agreement, the words "you" and "your" mean the "Governmental, Educational or Public Sector Entity" specified above; the words "we," "our," "us" and "Discover Business Services" refer to Discover Financial Services, Inc.; "Business Day" refers to Monday through Friday except when we are closed for business; "Card" means: (i) a valid credit, charge or other card or device bearing a Discover Card or NOVUS logo, service mark or trademark identified in our Operating Regulations, as defined below, or as otherwise approved in writing by us; or, (ii) the Card Account if the Cardmember is not present at a physical location; "Card Account" means the credit account represented by the unique sixteen digit account number assigned by the issuer which the Cardmember may use as permitted by the issuer; "Operating Regulations" refers to our Merchant Operating Regulations; "Cardmember" means a person to whom a Card has been issued and/or any authorized user of a Card; and "Sales Data" means evidence of Card transactions, whether in paper or electronic form, that is received by us in the form and format that we specify. Unless the context clearly indicates otherwise, words used in the singular include the plural, and words used in the plural include the singular.

This Agreement governs the acceptance of Cards issued by any authorized Card issuer (the "Issuer"), by the governmental, educational or public sector entity specified above. This Agreement supersedes any other agreement concerning the Cards. Please read this Agreement carefully. You must follow all of the terms set forth below.

1. Acceptance of Cards. You agree to accept Cards at your locations in payment for purchases of goods and services from all Cardmembers who want to use Cards at your establishment. You agree to follow the procedures in this Agreement and in our Operating Regulations concerning your acceptance of Cards and the preparation of Sales Data. Please refer to the Operating Regulations for specific details regarding how you may accept Card sales. If specified above, we agree that you may impose a surcharge, levy or fee of a similar kind for any transaction where a Cardmember desires to use the Card for any payment of amounts owed you. However, such surcharge, levy or fee may be only in the amount shown above and you agree that you will not add any additional markup to such amounts. You further agree that you will not institute or adopt any practice that discriminates or provides unequal treatment for the Card versus any other credit or charge card.

2. Operating Regulations. The Operating Regulations are incorporated into this Agreement as Exhibit A. The Operating Regulations are an integral part of this Agreement and contain procedures which you must follow in connection with acceptance of Cards. We may change the Operating Regulations from time to time by sending you written notice thirty (30) days in advance. However, certain changes may become effective immediately for security reasons. If there is any conflict between this Agreement and the Operating Regulations, the terms of this Agreement will govern.

3. Authorization and Sales Data Submission.

(a) **Authorization.** For each individual Card sale, you must obtain authorization from us prior to making the Card sale. If you accept a Card sale without obtaining authorization from us, the Card sale is subject to

Chargeback to you. Please refer to the Operating Regulations for specific information on obtaining authorization.

(b) **Submission of Sales Data.** You agree to transmit Sales Data to us each Business Day in our form and format, and by the transmission deadline, each of which is described in the Operating Regulations. Additional requirements for Card sales by mail, telephone and Internet are described in Section 4(a) of the Agreement.

4. Telephone, Mail Order and Internet Card Sales. You agree to obtain our prior approval before accepting any Card sales over the Internet. You agree to comply with our data security and encryption requirements for Card transactions indicated in the Operating Regulations, including our procedures for Card transactions over the Internet and Card transactions on your website, regardless of the number of Card transactions you accept. Any Card sales over the Internet that do not comply with the Operating Regulations are subject to Chargeback as described in Section 11. You may accept a Card for a telephone or mail order sale provided that you follow the procedures in the Operating Regulations for accepting such Card sales.

(a) **Documentation of Card Sales.** For each Card sale by Internet, mail or telephone, you must obtain the following information from the Cardmember: Cardmember name, Card Account number and Card expiration date.

(b) **Transmission of Sales Data.** For each Card sale by Internet, mail or telephone, Sales Data shall be transmitted to us using an electronic means of transmission.

5. Special Industry Requirements. If you accept Card sales for recurring billing or installment sales transactions with Cardmembers, please refer to the Operating Regulations for detailed requirements for these transactions, including the format for authorization requests.

6. Card Present Card Sales. For your Office Card sales, if any, the Cardmember or authorized user of the Card must sign the Sales Data in your presence and the signature must be reasonably similar to the signature appearing on the signature panel of the Card.

7. Credits for Returns. You may establish your own policy concerning refunds, and you agree to advise Cardmembers, in advance of any Card sale, of this policy. Consult the Operating Regulations regarding the procedures you must follow in order for us to honor your return policy and the Credits that you may issue.

8. Settlement of Transactions. You agree to promptly, but at least once each week, send to us at the address we specify, all sales slips and credit slips pertaining to Card transactions generated by you. If you transmit Sales Data by electronic means, you agree to transmit your Sales Data each business day to the location that we specify. With respect to mail/telephone order Card sales, you will transmit the required Sales Data to us each business day electronically or by magnetic tape in our form and format. If you fail to send us Card transaction data within 60 days of the date of the Card sale, we will not be required to reimburse you for them.

See Reverse Side For Continuation Of This Agreement

Discover Financial Services, Inc.

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

As used in this Agreement, the term "Settlement" means the procedure by which we will reimburse you for the amount of each valid Card sale for which you submit Sales Data to us that represents a purchase from your establishment with a Card, minus an amount equal to the sum of any Chargebacks, any credits to Cardmembers that you submit to us, and the Merchant Fee, if applicable, and plus or minus adjustments that we make to reconcile or correct errors in your Sales Data. The timing for your Settlement payments is described in the Operating Regulations unless otherwise indicated by us in writing. Your terminals or point-of-sale devices must be programmed with the merchant number that we assign to you if you are to receive payment for Card sales. You are responsible for the programming of your terminal to accept Card sales. If a third party programs your terminals, you are responsible for such party's actions and omissions in connection therewith, including, without limitation, any payment of your Settlement amounts to the incorrect party. Promptly following the completion of programming services, you agree to confirm the receipt in your Settlement Account of Settlement amounts for Card sales accepted by you. If you do not receive Settlement amounts for Card sales in accordance with the Agreement and Operating Regulations, you must contact us immediately or risk non-payment for such Card sales. You must comply with each of the terms and conditions in this Agreement and in the Operating Regulations before you will receive a Settlement payment for a Card sale. Consult the Operating Regulations for other important Settlement terms and conditions.

9. Merchant Fee and Other Fees. In consideration for your participation in the Card program, you agree to pay us fees in the amounts specified above. The fees payable by you consist of some or all of the following: (a) a percentage of the Card sales accepted by you (either Net Card Sales or Gross Card Sales as defined in the Operating Regulations); (b) a Per Transaction Fee, as defined in the Operating Regulations; (c) Submission Error Fees, as defined in the Operating Regulations. The fees described in (a) and (b) are collectively referred to as the "Merchant Fee". The Operating Regulations fully explain how the Merchant Fee, Submission Error Fees and other fees are calculated by us and paid by you.

10. Billing Inquiries. You agree to follow the procedures set forth in the Operating Regulations with respect to the notices of Cardmember disputes and billing inquiries that you receive from us.

11. Chargeback Rights. Under certain circumstances, we may return a Card sale to you unpaid, or we may return a previously paid Card sale to you for repayment to us. These returned charges are called "Chargebacks". If you do not follow all the terms of this Agreement and the Operating Regulations when making a transaction with a Card, or if a Card sale which is the subject of a billing dispute is subject to Chargeback as specified in this Agreement or Operating Regulations, we may refuse to pay you for the Card sale or the disputed portion of it. Refer to your Operating Regulations for complete terms and conditions with respect to Chargebacks.

12. Cardmember Disputes. You agree to act in good faith to attempt to resolve disputes with Cardmembers. If the Cardmember refuses to pay an Issuer for charges made due to a billing error alleged by the Cardmember, we may process a Chargeback for the charge or the disputed portion of it. If we or an Issuer involved in a lawsuit with a Cardmember relating to a Card transaction made at your establishment, you agree to cooperate with us or an Issuer and provide us or it with all assistance we or it may reasonably require.

13. Retention of Records. You agree to keep an original copy of all Sales Data, mail/telephone order forms, the documentation required in the Operating Regulations and other related document(s) for no less than two hundred and ten (210) days from the Card transaction date or one hundred and eighty (180) days from the date of submission of Sales Data, whichever is later. You also agree to keep microfilm or other copies of Sales Data for no less than three (3) years from the date of the Card transaction. You agree to provide us with a copy of any Sales Data, mail/telephone order forms and the documentation required in the Operating Regulations, within fifteen (15) business days of our request.

14. Assignment. You may not assign or transfer this Agreement to any other party without our prior written approval. If you sell all or a substantial part of your business or materially change the nature of your business, or by any means cause or permit a new entity to own a substantial part of your business, you agree to notify us in advance, or, at our option, we may terminate this Agreement as provided below. We may assign this Agreement and our rights and obligations under it, in whole or in part, to any company which is a direct or indirect parent, subsidiary or affiliate of ours. We will notify you of any such assignment. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and assigns. You agree not to pledge, transfer or otherwise impair any of our rights under this Agreement.

15. Changing This Agreement. We may change this Agreement at any time by giving you written notice at least thirty (30) days in advance of the change. You agree that your authorized representative will receive and review any notices that you receive with your periodic reports. If you do not accept such a change, you may terminate this Agreement by notifying us within that thirty (30) day period. If you make any Card sales after the effective date of a change in terms, this means that you have consented to the new terms.

16. Term and Termination. This Agreement will become effective when it is signed by each of us and approved at our home office. This Agreement remains in full force and effect until terminated as provided in this paragraph. Either party may terminate this Agreement at any time by giving the other thirty (30) days' prior written notice. We may terminate this Agreement without such notice if you have materially breached this Agreement or, if in our sole discretion, Card sales transacted by you are irregular, the Card sales conducted by you, the goods or services sold by you or your business practices violate any U.S. federal, state or local law, statute or regulation (e.g. aiding, facilitating or offering Internet gambling services, establishing quasi-cash, credits or monetary value of any type that may be used for Internet gambling or any other illegal purpose), you have had, or may have, an unusual or inappropriate number of Cardmember inquiries, credit requests or Chargebacks during a relevant period, there are security concerns regarding your Card sales by any of your establishments, or your financial condition or other conditions warrant earlier termination. You agree to accept Cards and follow the terms of this Agreement until the termination becomes effective. The terms in this Agreement and Operating Regulations governing the acceptance of Cards, transmission and processing of Sales Data, and mail/telephone order forms and Settlement will continue to apply even after the termination of this Agreement, until all Card transactions made prior to such termination are settled or resolved. Upon termination of this Agreement you agree to immediately send us all Sales Data, mail/telephone order forms and documentation required in Section 4(a) not previously submitted to us for any Card sales made up to the date of termination. We are not liable to you for any direct or consequential damages you may suffer as a result of our termination of this Agreement.

17. Factoring. You agree that you will not factor any Card sales. See the Operating Regulations for complete details regarding what constitutes factoring and the liability you incur if you factor any Card sale.

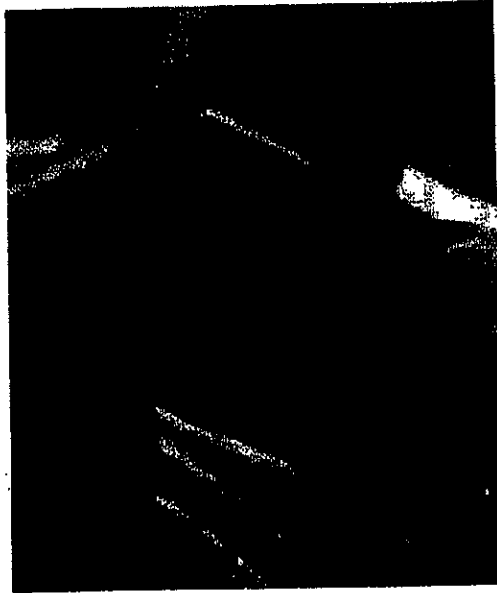
18. Performance of Duties. Neither party shall be liable for its failure to perform under this Agreement if such failure arises out of causes beyond the control and without the fault or negligence of such party. Such causes may include, but are not limited to, acts of God, fire, wars or strikes.

19. Notices. You agree that you will send any notice to us that is required by this Agreement or by the Operating Regulations to the address specified in the Operating Regulations. We agree that we will send any notice to you that is required by this Agreement or the Operating Regulations to your address as specified above. If our records indicate that your address for notices is the same as your address for periodic reports, we may send notice of changes to the Agreement with your periodic reports.

20. Captions. The captions used in this Agreement are for reference only and will not be interpreted to limit or define the text of this Agreement.

21. Miscellaneous. If any part of this Agreement is not enforceable, the remaining provisions still remain valid and enforceable. We have not waived any of our rights under this Agreement unless we agree to do so in writing. Each party agrees to comply with all applicable laws and regulations in connection with the Card program and this Agreement.

Discover® Network Merchant Operating Regulations



These Operating Regulations
are incorporated into your
Merchant Services Agreement
as Exhibit A and contain
procedures which you must
follow in connection with
your acceptance of Cards.

DISCOVER
NETWORK

Merchant Services Center

1-800-347-2000

Authorization Center (24 Hours, 7 Days)

1-800-347-1111

Si Requiere Mas Asistencia (En Español)

Merchant Services (Spanish)

1-800-347-7009

Signage

1-800-347-2000

or visit our Website at www.discovernetwork.com

Merchant Security Department

1-800-347-3083

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1.0 INTRODUCTION TO DISCOVER® NETWORK

1.1 Introduction

Discover® Network is the name used by Discover Financial Services, Inc. to operate the network that supports and services Merchants who accept Cards. Discover Network is one of the largest financial service providers in the world bringing extensive resources and expertise to the Card plan and providing Merchants with a streamlined system of authorization, processing and settlement for Card transactions.

1.2 What Discover Network Means to You

Discover Network offers you many benefits. Discover Network is committed to delivering services with the best possible value to you, including:

- Competitive Merchant Fees
- Increased sales volume through a variety of Cards displaying a Discover Network acceptance mark
- Professionally staffed Merchant Services Centers
- Local representatives
- A streamlined system for settlement, with a variety of options for transmission of funds and associated reports
- Authorization centers with 24-hour service, 7 days a week
- An equitable Chargeback policy
- Discovernetwork.com—our Internet site providing you with tools to help run your business more efficiently and effectively

1.3 Agreement and Operating Regulations

These Operating Regulations are referred to as Exhibit A in the Agreement between you and us. These Operating Regulations provide information on operational aspects of the Merchant relationship supported by us. Please make sure that all of your employees are familiar with the procedures in the Agreement and these Operating Regulations for identifying Cards, obtaining authorization decisions and handling Card sales and return transactions. If you have any questions, contact our Merchant Services Center at 1-800-347-2000.

After we approve your application for a Merchant Account, we may send you a written notice that identifies certain important terms of your Agreement, including the applicable fees. This information is referred to as Exhibit B to your Agreement. The Agreement including Exhibit A and Exhibit B, if applicable, collectively provide the terms and conditions governing your acceptance of Cards. In the event of a conflict between the terms of these Operating Regulations and Exhibit B, Exhibit B shall govern.

1.4 Defined Terms

Terms used in these Operating Regulations shall have the meanings given to such terms in your Agreement, unless otherwise defined herein. The following definitions supplement and amend the definitions in the Agreement: "Card" means (i) a valid payment card or access device displaying a Discover® or Discover Network logo, service mark or acceptance mark identified in the Operating Regulations or as otherwise approved by us; or (ii) the Card Account if the Card is not present at a physical location. "Card Account" means the account represented by a unique account number which the Cardmember may use as permitted by the Issuer. "Issuer" means a third party that we permit to issue Cards. "Merchant Account" means the 15 digit account number beginning with 6011 assigned by us for your use in connection with Card acceptance.

1.5 Merchant Number

When we enter into the Agreement, we will establish one or more Merchant Accounts with unique merchant numbers for your use in conducting your Card transactions. Merchant Account numbers will be included on Exhibit B, if applicable, or periodic reports. We may also assign Merchant numbers to you that must be used for certain types of Card transactions. You must use the appropriate number(s) assigned by us for all Card transactions. Merchant numbers are Confidential Information under the Agreement and remain our property. You may not assign them to any related or unrelated third parties and you may not allow a third party to use them without our written approval.

1.6 Use of Third Parties

1.6.1 Use of Processors

Your use of any third party processor for Card transactions is subject to our approval, which we will not unreasonably withhold. You are liable for the actions of, and all charges imposed by, any processor that you use to perform your obligations under the Agreement or these Operating Regulations. If at any time during the term of the Agreement you elect to begin utilizing a processor, or to change from an existing processor to a different processor to perform your obligations under the Agreement, you must notify us of the change. Also, if such processor assesses or increases transaction fees to us, we may, at our option, adjust your Merchant Fee to compensate us for our expense, or invoice you directly for the total amount of such transaction fees.

1.6.2 Use of Settlement Processors

If you designate a third party processor to receive Settlement for Card transactions on your behalf, we shall have completed all Settlement obligations to you, including the obligation to pay Settlement, the timing of Settlement payment, any reporting and notices, when we have properly initiated Settlement to the processor in accordance with these Operating Regulations. Your use of a processor to receive Settlement for Card transactions may result in the payment of amounts other than as specified in these Operating Regulations and we are not liable for any delinquency or non-receipt of Settlement amounts.

1.6.3 Use of Terminal Programmers or Terminal Service Providers

If you use a third party to program your terminal or point-of-sale ("POS") device to accept Card transactions or to provide any other services on your terminal or POS device, you are responsible for the actions and omissions of said third party in connection therewith. We are not responsible for the recovery of amounts paid to third parties if we act in accordance with the Settlement payment directions programmed on your terminal or POS device.

2.0 IDENTIFYING VALID CARDS

2.1 Identifying Cards

All valid Cards display a Card Account number beginning with the prefix "6011" and display one of the following Discover Network logos, service marks or trademarks.



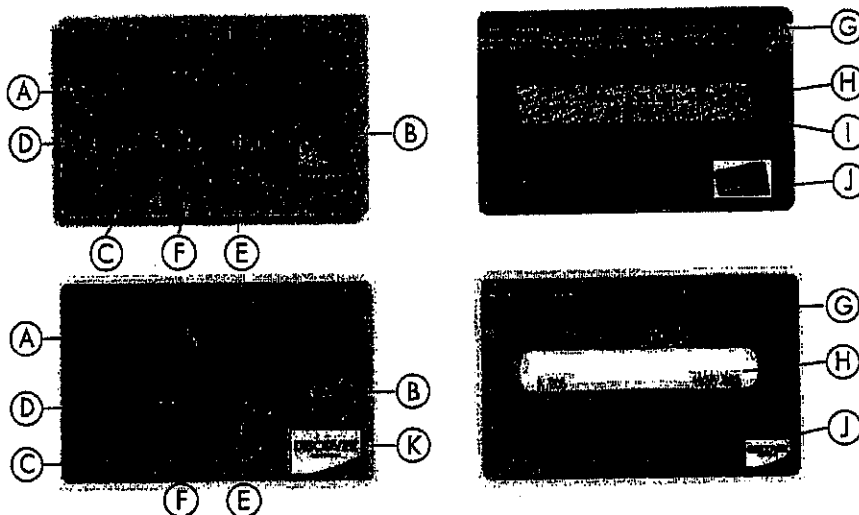
2.2 Card Security Features

You must verify that each card presented to you is a valid Card prior to initiating a Card transaction. You may verify the validity of a card by examining it to confirm that it includes the features described in this Section 2.2. Please be sure that you and your employees are familiar with the features of valid Cards. If we determine that a card involved in a transaction does not display one or more of the features of a valid Card, we may Chargeback the Card transaction to you.

Note: Pictures in this section highlight the standard security features on Cards, but may not represent the actual size of such features on all Card types.

2.2.1 General Purpose Debit and Credit Cards-Security Features

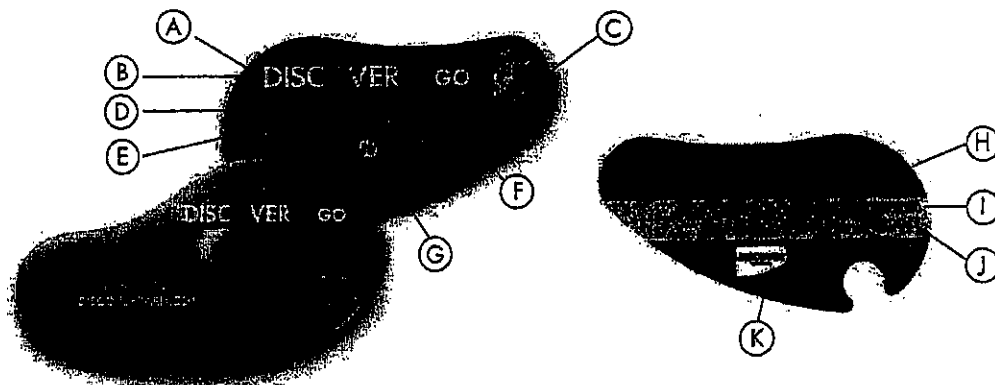
- A. The word DISCOVER will appear in ultraviolet ink on the front of the Card when it is held under an ultraviolet light.
- B. The Discover hologram has distinct images:
 1. Sphere
 2. Water
 3. Stars
- C. The embossed Cardmember name.
- D. Account numbers on Cards are made up of four groups of four digits totaling 16 numbers and always start with 6011. The embossed numbers should be clear and uniform in size and spacing and should extend into the hologram.
- E. The expiration date appears in a MM/YY format after the words "valid thru" and indicates the last month in which the card is valid.
- F. The special embossed D appears on the same line as "Member Since" and "Valid Thru."
- G. The magnetic stripe.
- H. The signature panel must be signed by the Cardmember or authorized user in order to validate the Card. The full 16 digit Card Account number or the last four digits of the Card Account number ("truncated Card Account number") on the signature panel should match the number embossed on the front of the Card and should appear in reverse indent printing. On all standard Cards, the Card Account number is followed by the Card Identification Data ("CID").
- I. Depending on the issue date of the Card, you may see an overprint pattern on the signature panel that either reads Discover Network or the name of the card (i.e., Discover, Discover Platinum), and an underprint of "void."
- J. Depending on the issue date of the Card, a Discover/NOVUS or Discover Network acceptance mark will appear on the back of the Card.
- K. Depending on the issue date of the Card, a Discover Network acceptance mark may appear on the front of the Card.



2.2.2 Discover 2GOSM Card-Security Features

The Discover 2GOSM Card is issued to Cardmembers as a second, convenient version of their Discover[®] Card. It has an innovative shape and carrying case that can be carried on a key chain or as a money clip. You can electronically swipe the magnetic stripe while the Card is either inside or outside of the carrying case. If you are required to submit an imprint of the Discover 2GO Card, you should ask the Cardmember to present their standard shaped Discover[®] Card.

- A. Distinctive Discover 2GO Card logo.
- B. The word DISCOVER will appear in ultraviolet ink on the front of the Discover 2GO Card when it is held under an ultraviolet light.
- C. The Discover hologram, located above the Discover 2GO Card number, has a distinct circular shape and images:
 1. Sphere
 2. Water
 3. Stars
- D. The embossed Cardmember name.
- E. Account numbers on Discover 2GO Cards are made up of four groups of four digits totaling 16 numbers and always start with 6011. The embossed numbers should be clear and uniform in size and spacing.
- F. The expiration date appears in a MM/YY format and indicates the last month in which the card is valid.
- G. The special embossed D appears on the front of the Discover 2GO Card.
- H. The magnetic stripe.
- I. The last four digits of the Card Account number are printed on the back of the Card. The truncated Card Account number is followed by the Card Identification Data ("CID").
- J. You will see an overprint pattern on the signature panel that reads DISCOVER 2GO. An underprint of "void" will appear on the signature panel if it is altered.
- K. A Discover/NOVUS or Discover Network acceptance mark appears only on the back of the Card.



2.2.3 Stored Value Cards-Security Features

The features described below are found on stored value Cards. However, the placement of these features may vary.

A. The Discover hologram has distinct images:

1. Sphere
2. Water
3. Stars

OR

The front of the Card may display either: "Not valid for more than \$500" or a fixed denomination on the Card (\$25.00, \$50.00, etc.).

- B. Account numbers are made up of four groups of four digits totaling 16 numbers and always start with 6011. The embossed numbers should be clear and uniform in size and spacing.
- C. The embossed expiration date appears in a MM/YY format and indicates the last month in which the card is valid.
- D. The special embossed D appears on the front of the Card.
- E. The magnetic stripe.
- F. The signature panel must be signed by the Cardmember in order to validate the Card. Either the full 16 digit Card Account number or the last four digits of the Card Account number on the signature panel should match the number embossed on the front of the Card and should appear in reverse indent print where the Card Account number on the signature panel is followed by the Card Identification Data ("CID").
- G. Depending on the issue date of the Card, a Discover/NOVUS acceptance mark may appear on the back of the Card.
- H. Depending on the issue date of the Card, a Discover Network acceptance mark may appear on the front of the Card.

3.0 GENERAL REQUIREMENTS

3.1 Surcharges

Unless otherwise agreed upon by us in writing, you may not impose any surcharge, levy or fee of any kind for any transaction where a Cardmember desires to use a Card for any purchase of goods or services.

3.2 Test Cards

If we have issued you a test Card or test account in order to test Card acceptance at your locations, you are liable for any improper or fraudulent use of such Card or Card Account by any of your employees. You agree to use reasonable efforts to safeguard such Card or Card Account in a secure place.

3.3 Cash Advances and Cash Equivalents

You may not accept a Card in exchange for advancing cash or cash equivalents (i.e. value on the Internet for e-commerce transactions) to a Cardmember, unless you and we have agreed in writing. If you dispense cash or cash equivalents in connection with the presentation of a Card without our permission in the form of a written agreement, such a Card transaction is subject to Chargeback to you as described in Section 8.2, regardless of whether your agreement with the Cardmember describes a cash advance or cash equivalent as a sale of goods or services.

3.4 Checks

You may accept checks which have been issued to Cardmembers in connection with Card Accounts. You should handle these like any other check. Questions should be addressed to your provider of services for processing checks or your bank.

3.5 Employee Purchases

Your owners, officers or employees may not conduct cash advances, sales or returns for goods or services with you using any personal Card, except for *bona fide* purchases in the ordinary course of business. You are responsible for the actions and omissions of your employees and agents in connection with your acceptance of Cards and your obligations under the Agreement and these Operating Regulations.

3.6 Minimum/Maximum Dollar Limits and Other Limits

You may not require that any Cardmember make a minimum dollar purchase in order to use a Card and, other than when we have not authorized a Cardmember's transaction, you may not limit the maximum amount that a Cardmember may spend when using a Card.

3.7 Equal Treatment of Card Sales versus Other Cards

You may not institute or adopt any practice that discriminates or provides unequal treatment for users of a Card versus any other card products that you accept.

4.0 ACCEPTANCE OF CARD TRANSACTIONS

4.1 Card Acceptance Requirements

You must perform each of the following functions for each Card sale that you accept.

4.1.1 Card Expiration Date

Check the expiration date on the Card. The Card is valid through the last day of the month embossed on the Card. If the Card has expired, you cannot accept it for a transaction unless explicitly permitted by us in writing in an amendment to these Operating Regulations that is recorded in our records. If a Card presented to you has an expired date, please call the Authorization Center at 1-800-347-1111.

4.1.2 Signature on Card

Verify that there is a signature on the signature line on the back of the Card and that the name on the back of the Card matches the name embossed on the front of the Card.

4.1.2.1 Unsigned Cards

If a Card presented to you is not signed, request two pieces of identification, one of which is a government-issued picture identification. When you have confirmed that the person presenting the Card is the Cardmember, have the Cardmember sign the back of the Card.

4.1.3 Obtain Authorization

Obtain an authorization decision for the Card sale as described in Section 4.4.

4.1.4 Prepare and Transmit Sales Data

Prepare Sales Data documenting the Card sale as described in Section 4.2 and transmit Sales Data to us as described in Section 7.1 of these Operating Regulations.

4.2 Preparing Sales Data Documenting Card Sales

4.2.1 General

You must include all merchandise and/or services purchased at one time and at one cash register on one Sales slip if you prepare paper Sales Data, or in a single electronic transmission of Sales Data, unless otherwise approved by us in writing. You may use a separate Sales slip or a separate transmission of Sales Data for *bona fide* deposits, partial payments and Card sales that are charged to more than one Card. You must prepare and fully complete Sales Data for each Card transaction as described below. You must provide the Cardmember with a completed copy of the Sales Data at the time of each completed Card transaction.

4.2.2 Electronic Data Capture

You must use a terminal or point-of-sale device that is capable of performing electronic authorization and data capture services under the following circumstances: Card sales where the Card is not present including, without limitation, mail/telephone order sales, sales over the Internet and recurring billing transactions.

You must compare the Card Account number on the Sales Data printed by the electronic terminal to the number on the Card to confirm that they match. If they do not match, you may not accept the Card sale and if you do, the Card sale is subject to Chargeback to you as described in Section 8.2.

For transactions that are data-captured by electronically reading or scanning a Card using a point-of-sale ("POS") terminal, you are generally not required to obtain a Card imprint on the Sales Data, unless otherwise required in Section 4.2.3. However, if you are unable to capture the required Card data by swiping the Card through the point-of-sale terminal, you must obtain a clear imprint of the Card on the Sales Data. Examples include, but are not limited to, a defective magnetic stripe or in-terminal card reader.

For each Card sale, you must produce a copy of the Sales Data for the Cardmember. You must include all of the following information on the Cardmember's copy of the Sales Data:

- The Card Account number; provided that you must display a truncated Card Account number on the Sales Data where required by law.
- The Cardmember's name if embossed on the Card, unless prohibited by law.
- The Card expiration date, unless prohibited by law.
- The Merchant's name.
- A description of the merchandise or service purchased.
- The total amount of the Card transaction (including sales tax and/or tip).
- The transaction date.
- The authorization approval code.

4.2.3 Paper Sales Data

If you do not use a POS terminal to electronically scan or read Cards, you must use a suitable imprinter to clearly imprint the embossed information from the Card on the Sales Data and you must fully complete the Sales Data as described below. After imprinting the Sales Data, fill in the information described below and ensure that all printed and written information is clearly readable on all copies. If you cannot imprint a Discover 2GO Card, you should ask the Cardmember for their standard Card that can be imprinted. If we do not receive paper Sales Data from you by the deadline in Section 7.1, you may be charged a fee in the amount indicated by us in writing in your Agreement, Exhibit B or other notification from us, as described in Section 9.3.

4.2.3.1 Sales Data Requirements

1. Quantity and brief description of the merchandise or service.
2. Transaction date.
3. Authorization approval code from us.
4. Employee initials.
5. Dollar amount of the transaction.
6. Sales tax.
7. Total dollar amount of the transaction including tax and tip.

(Note: Do not write outside of this box.)

8. Cardmember's signature, unless the terms of the Agreement explicitly state that you are not required to obtain the Cardmember's signature for certain types of Card sales. The Cardmember must sign the Sales slip in your presence. The Cardmember's signature on the Sales slip must match the signature on the back of the Card. Compare the signature on the back of the Card with that on the Sales slip and verify they match.
9. The words "Card Not Present" must be written on the Sales slip in lieu of the Cardmember's signature in sales where the Card is not physically present.

The diagram shows a 'Sales Slip' form with the following fields and callouts:

- 1: Card number (6011 0000 0000 0000)
- 2: Card expiration date (1999 1/99)
- 3: Cardholder name (J.L. WERN)
- 4: Cardholder address (CITY, STATE 6011 0101 2123 456)
- 5: Cardholder phone number (128706011)
- 6: Cardholder signature line
- 7: Cardholder signature
- 8: Merchant name (J.L. WERN)
- 9: Merchant address (CITY, STATE 6011 0101 2123 456)

4.2.3.2 Delayed Delivery Sales

For delayed delivery sales, you may prepare separate Sales slips for deposits and final payments if you and the Cardmember enter into a payment plan. One Sales slip should be labeled "Deposit" and one labeled "Balance." You may not remit the Sales slip (either manually or electronically) labeled "Balance" until the merchandise is delivered or services are completely performed. If you have an electronic data capture terminal, but you are unable to process the Card transaction through it, you must follow the procedures for preparing Sales Data. A separate authorization decision must be obtained for the amount on each separate Sales slip that is billed to the Cardmember (see Section 4.4 for further instructions on Authorizing a Card sale).

4.2.3.3 Card Not Present Sales

If the Card is not physically present, you must prepare Sales Data as described in 4.2.3.1, except you must write the words "Card Not Present" on the Sales slip in lieu of the Cardmember's signature and you must comply with the requirements in Section 5.0 for the preparation and submission of Sales Data.

4.2.3.4

Preparing the Merchant Settlement Batch Transmittal for Sales not Submitted by Electronic Means

If you send paper Sales slips to us, you must comply with the following requirements. Each batch of Sales Data prepared by you must contain no more than 40 Card sales and/or Credit slips and must be accompanied by a Merchant Batch Transmittal form. Each batch of paper Sales Data should be prepared as follows:

- A. Using your Merchant identification plastic provided by us, imprint a Merchant Batch Transmittal form the same way as a Sales slip. Fill in the following information:
 1. Total number of Sales slips.
 2. Total dollar amount of Sales slips.
 3. Total number of Credit slips.
 4. Total dollar amount of Credit slips.
 5. Total net amount (sales minus Credits).
 6. Mailing date.
 7. Signature of an authorized representative of your establishment.
 8. Merchant phone number.
- B. Place the hard copy (last) part of the Merchant Batch Transmittal form in the front of the Sales slips and Credit slips. Retain the other part(s) for your records.
- C. Use the pre-addressed transmittal envelope to mail the batch of Sales slips and Credit slips to us. Do not submit Sales slips in a batch until the merchandise or service has been delivered or furnished to the Cardmember. Submit only one copy of each Sales slip or Credit slip.

Diagram of a Merchant Batch Transmittal form. The form includes fields for Card Number (6011 0000 0000 0000), Expiration Date (1999 1/99), Merchant Name (JL WEBB), and City/State (6011 0101 2123 456). It also has sections for Sales Slips, Less Credit Slips, and a table for Sales Data. Numbered callouts point to specific fields: 1 points to Card Number, 2 to Expiration Date, 3 to Merchant Name, 4 to City/State, 5 to Sales Slips, 6 to Less Credit Slips, and 7 to the bottom left corner.

4.3 Credits for Returns

We will honor your return policy as long as it complies with all federal, state and local laws and is clearly posted or otherwise made known to the Cardmember at the time of the Card sale. We may request a copy of your return policy at any time. If a Cardmember returns goods or services purchased with a Card in accordance with your policy, you must give a credit to the Cardmember's Card Account by completing a Credit slip, as described in Section 4.3.1 ("Credit"). If a Cardmember receives merchandise or services that are defective or not as agreed upon at the time of the Card sale, you must give the Cardmember a Credit, if requested by the Cardmember. If you do not give credit to the Cardmember's account, the Card sale may be subject to Chargeback to you as described in Section 8.2. You must transmit Sales Data evidencing a Credit to us for each Credit transaction within the number of days described in Section 7.1 after you have issued the Credit to the Cardmember or you may be charged a fee as described in Section 9.3. You must give evidence of the Credit to the Cardmember. You shall pay us the amount of all Credits on Card sales as described in the Agreement and Section 7.2 of these Operating Regulations.

4.3.1 Preparing the Credit Slip for Returns

You may not give cash refunds for Card sales. You are not required to obtain an authorization decision in order to issue a Credit. You may issue a Credit to a Card Account only for a Card sale originally made with a Card. In the case of even exchanges, you are not required to prepare and submit Credit slips. For uneven exchanges, you must prepare a Credit slip for the total amount of returned merchandise and new Sales Data for the new merchandise purchased and you must provide a copy of the Credit slip and the Sales Data to the Cardmember. The Credit amount may not exceed the amount of the original Card sale. You must follow these procedures when preparing a Credit slip for a previous Card sale:

- Check the Card for a valid expiration date and signature. If the Card is no longer valid, please call the Authorization Center at 1-800-347-1111.
- If you do not use a POS terminal to electronically scan or read Cards, imprint the Credit slip as described below. (Ensure that all printed and written information is clearly readable on all copies.)

Credit data requirements:

- Quantity and brief description of merchandise or service returned.
- Date of the credit issuance.
- Date of the original sale transaction.
- Dollar amount of the credit.
- Sales tax credit.
- Total dollar amount of the credit.
- Reason for the credit.
- Signature of an authorized representative of your establishment.

Diagram of a Credit Slip form. The form includes fields for Card Number (6011 0000 0000 0000), Expiration Date (1999 1/99), Merchant Name (JL WEBB), and City/State (6011 0101 2123 456). It also has a table for Sales Data. Numbered callouts point to specific fields: 1 points to Card Number, 2 to Expiration Date, 3 to Merchant Name, 4 to City/State, 5 to Sales Data, 6 to the bottom right corner, 7 to the bottom left corner, and 8 to the bottom center.

4.4 Obtaining Authorization Decisions

Authorization is the process by which the Issuer provides a response as to whether credit is available on the Card Account involved in the Card transaction. You must obtain a positive authorization decision or approval before completing a Card sale for any transaction. For delayed delivery sales, you must obtain a positive authorization decision or approval before you submit Sales Data to us for the Card sale. The authorization approval code you receive will be valid for 90 days. You may obtain authorization decisions from us by electronic terminal or telephone. We will provide you with an authorization approval code, which must be written on the Sales slip, unless you obtained the authorization decision using an electronic terminal or cash register in which case the authorization approval code will be printed on the Sales Data.

4.4.1 Data Transmission Requirements for Authorization Requests

If you accept a Card for a sale without receiving an authorization approval as described in this section, we are not required to pay you for the Card sale and if we have already paid you, we can process a Chargeback as described in Section 8.2. Even if a positive authorization decision or approval is granted for a Card sale, it is not a guarantee of payment. A Card sale may be subject to Chargeback to you for other reasons as set forth in these Operating Regulations or the Agreement.

4.4.1.1 CVV Data Requirements

If you use an electronic terminal, you must transmit to us the complete and unaltered contents of the magnetic stripe on the Card presented for the transaction for each Card sale, along with each authorization request you send to us. The magnetic stripe includes Card Verification Value ("CVV") data which indicates that the Card was present at the time of the Card transaction. You must transmit CVV data to us with each authorization request where the Card is swiped through your terminal or POS device. If we do not receive the complete and unaltered contents of the magnetic stripe, including CVV data, where required with each authorization request as described above, you may be charged a fee as described in Section 9.3.

4.4.1.2 CID Requirements

You may submit the Card Identification Data ("CID") to us with the authorization request to assist in the verification of a Card transaction except for the first installment of a recurring billing transaction where you must submit the CID to us with the authorization request (see Section 5.3). We may require you to submit the CID for all, or a specific portion, of your authorization requests. We will send you written notice if you are required to submit the CID. If you do not submit the CID to us after we have notified you that you are required to submit it, you may be charged a fee (see Section 9.3) and the Card sale may be subject to Chargeback (see Section 8.2). **You must not store the CID as described in Section 12.7.**

4.4.2 Cardmember Verification and Card Retrieval

Occasionally, for verification purposes, we may ask you to request certain information from a customer that has presented a Card. Also, the Issuer's security area may request that you take and retain a Card from a customer. If requested, follow the instructions of the Security representative. **Do not use any force or effort if the customer refuses to give up a Card, and do not take any action which will alarm or embarrass the customer.** Do not attempt to retain the Card if you are concerned for your safety. You agree to advise all of your employees of these terms.

4.4.3 Down-Time Authorization Procedures for Electronic Terminals

If you use an electronic terminal to obtain authorization decisions for Card sales, follow the procedures given to you by your terminal provider for the use of that terminal. If a "call center" referral code is displayed, call the Authorization Center at 1-800-347-1111 to obtain further instructions. If your electronic terminal is not operating, you must contact the Authorization Center to obtain authorization decisions by telephone for all Card sales. Please refer to Section 4.4.4 for more information on using this service.

4.4.4 Telephone ("Voice") Authorization Procedures

If you must use the telephone to obtain authorization decisions for Card sales, you must call the Authorization Center at 1-800-347-1111. If when calling the Authorization Center, the authorization decision is provided by a Merchant Services Representative rather than our automated service, you may be charged a fee in the amount described in your Agreement, Exhibit B or other notification from us, as described in Section 9.3. Please provide us with the following information for each voice authorization request:

- Merchant Account number assigned to you (15 digits).
- Card Account number (16 digits).
- CID, as described in Section 4.4.1.2.
- Card expiration date (4 digits).
- Dollar amount of transaction including tax and tip (dollars and cents) followed by the # sign.

If authorization approval is granted, you will be given an authorization approval code. You must write this code in the appropriate box on the Sales slip. (See Sales Data preparation procedures in Section 4.2.) If you are unable to obtain an authorization decision using electronic means and you subsequently receive an authorization approval by telephone as described above, you must complete the Card transaction (complete a force sale entry or override transaction following the procedures supplied by your terminal provider) and obtain an imprint of the Card. If the imprint does not display all of the features on valid Cards described in Section 2.2, the Card transaction is subject to Chargeback to you as described in Section 8.2.

4.4.5 Declined Authorization Procedures

If a Card is invalid for a transaction, you will receive a negative or declined authorization decision. Under no circumstances should you or your employees comment on the transaction. Direct the Cardmember to contact the Issuer at the telephone number provided on the back of the Card or as otherwise distributed by the Issuer. If you submit Sales Data to us for a Card sale with a declined authorization decision, we may Chargeback the Card sale to you as set forth in Section 8.2.

4.4.6 Obtaining Authorization for Recurring Billing Sales Transactions

If we have approved your acceptance of Cards as payment for recurring, installment or other periodic billing plans with your customers, you must receive a separate, current authorization decision for each discrete installment prior to submitting Sales Data to us. You must transmit all authorization requests on

recurring billing installments to us in our form and format which is described in Section 5.3.1 and you must use an electronic terminal to obtain authorization decisions for these transactions. If we or you have terminated the Agreement, you may not submit installments that are due after the effective date of termination. If the Cardmember who agreed to the installment plan ceases to be a Cardmember due to his, her or our termination of the relationship, you may not submit any further installments and you must find an alternate method of collecting payment from the Cardmember. If we authorize one installment, that is not a guarantee that any future installment(s) will be authorized or paid. If, at any time, a Cardmember raises a dispute with respect to any installment payment or the goods or services you agreed to provide, we may, at our discretion, Chargeback a certain installment and any other installment transactions you have transmitted to us described in Section 8.2. Please refer to Section 5.3 for complete procedures on the acceptance of Cards as payment for recurring, installment or other periodic billing plans.

4.4.7 Request for Cancellation of Authorization

If a Card sale is cancelled or the amount of the Card sale changes and you previously obtained an authorization approval, you must call 1-800-347-1111 and request a cancellation of the authorization approval. An authorization approval can be cancelled at any time within eight days of your receipt of the authorization approval. Be prepared to provide the following information when canceling an authorization approval:

- Merchant Account number assigned to you (15 digits).
- Card Account number (16 digits).
- Card expiration date (4 digits).
- Dollar amount of transaction including tax and tip (dollars and cents).
- Original authorization approval code.

4.4.8 Authorization Floor Limit

For some Merchants, we may assign a Floor Limit for Card sales accepted by you. If a Floor Limit other than \$0 has been established for the Card sales accepted by you, it will be indicated in your Agreement or Exhibit B, as modified from time to time, as set forth in our records. If at any time you begin to authorize Card transactions electronically, your Floor Limit may be reduced to \$0, meaning that you must obtain authorization decisions for ALL Card transactions, unless the terms of your Agreement explicitly provide for a Floor Limit above \$0 and electronic authorization of Card sales. If you accept a Card sale at or above the Floor Limit assigned to you without obtaining an authorization approval, we may Chargeback the Card sale to you as set forth in Section 8.2. You should not construe the assigned Floor Limit as a guarantee against a potential Chargeback. If you fail to comply with the Floor Limit, you shall be liable for the entire amount of the transaction, not just the portion of the Card sale in excess of the assigned Floor Limit.

4.4.9 Down-Time Authorization Procedures

If the authorization system is not available and you do not use a third party processor to obtain authorization, the Floor Limit for the length of the system down-time is \$150 for only those Card sales involving purchases of merchandise for which a Cardmember takes immediate possession. You should not use this Floor Limit to authorize orders requiring delayed delivery or for the purchase of services; instead, you must wait to obtain authorization until the authorization system is available. The exact date, time and duration of the system outage will be recorded by us. In order to avoid Chargeback of an unauthorized transaction during a system down-time, note the exact time of the transaction in the approval box on the Sales slip. The existence of any down-time is considered confidential information and should not be shared with the Cardmember.

4.4.10 Address Verification Service ("AVS")

You must use our Address Verification Service ("AVS") to verify the Cardmember's billing address for all Card sales that are not swiped through your terminal or POS device, including without limitation, Internet Card sales as described in Section 5.2 and Card sales by mail and over the telephone as described in Section 5.1. You must obtain address verification from us by 11:59 p.m. Eastern Standard Time on the same day that you request an authorization decision for the Card sale, regardless of whether the authorization request is approved or declined. If you do not obtain an address verification by the deadline set forth above, you may be charged a fee in the amount set forth in your Agreement, Exhibit B or other notification from us as described in Section 9.3.

To obtain address verification for a Card sale, you must comply with the following procedures.

- Use an electronic terminal to request address verification; or
- If you do not have an electronic terminal or are unable to obtain an address verification using your electronic terminal, you should call us at 1-800-347-1111 to obtain address verification. If the address verification is provided by a Merchant Services Representative over the telephone rather than our automated service, you may be charged a fee in the amount set forth in your Agreement, Exhibit B or other notification from us as described in Section 9.3. When calling to obtain address verification, please provide us with the following information:
 - Merchant Account number assigned to you (15 digits)
 - Card Account number (16 digits)
 - Numeric portion of the Cardmember's billing address (5 digits)
 - ZIP code of the Cardmember's billing address (5 or 9 digits)

Note: These Address Verification procedures are not a guarantee against Chargebacks.

4.4.11 Special Procedures for Merchants with Customer-Activated Terminals ("CAT Terminals")

If you are a Merchant that operates a customer-activated terminal ("CAT Terminal"), to accept Card transactions at locations that sell primarily petroleum-related products, you must contact us as described in Section 6.3 for permission to use the procedures in this section. If our records do not indicate that you are permitted to use these procedures and you do so, your Card transactions are subject to Chargeback as described in Section 8.2. If we permit you to use these procedures, you may transmit authorization requests in an amount of \$1 or an amount otherwise agreed to by us in writing, to verify the validity of a Card presented on a CAT Terminal; provided that each authorization request must comply with the following requirements:

- The Card involved in the transaction at the CAT Terminal must be present at the time of each authorization request.
- No authorization requests may be transmitted for Card transactions over the Internet, mail or telephone.
- Each authorization request must include the entire, unaltered contents of either Track 1 or Track 2 of the magnetic stripe of the Card.

4.5 Code 10: Suspicious Situations

If you are suspicious of the validity of a Card or the presenter of the Card for any reason, you should notify the Authorization Center at 1-800-347-1111 using the Code 10 Authorization procedures described below. Code 10 Authorization procedures apply only to situations where the Card is physically present, but can be used regardless of the dollar amount of the Card sale or the applicable Floor Limit.

- Call the Authorization Center and ask for a Code 10 Authorization (select Option 3). This will automatically direct you to the security area of the Issuer.
- Security personnel will ask you a brief series of "Yes" or "No" questions about the Card or the presenter, and may ask your employee to request confirming identification from the presenter.
- If the Security representative is able to confirm the identity of the presenter as a valid Cardmember or authorized user of the Card, an authorization decision for the Card sale will be given and the presenter will not be aware that anything unusual has transpired.
- Some Issuers may request that you retain a Card. If your employee is instructed to retain the Card, your employee should do so, but only if permitted by your policies and only by peaceful and reasonable means.

4.6 Arrests for Fraudulent Card Usage

Some Issuers may request you to cause the arrest of a Card presenter who is suspected of the fraudulent use of a Card. When complying with such a request you must use reasonable, lawful means, and must have the arrest made by local law enforcement authorities. Your employees or agents should never physically detain or harm the person(s) that presented a Card. You agree that you and your employees will not initiate an arrest of a Card presenter for use of a Card except at the Issuer's request. A Merchant that causes the arrest or prosecution of any person for use of a Card without the Issuer's direct request or that fails to use reasonable, lawful means in effecting an arrest which has been requested by the Issuer, will bear all responsibility for claims, liabilities, costs, and expenses resulting from such arrest or prosecution.

5.0 CARD NOT PRESENT SALES

5.1 Mail and Telephone Order Card Sales

You may accept Cards for telephone or mail order sales if you comply with the following procedures and the requirements in the Agreement. You must obtain an authorization decision for each mail or telephone order Card sale as described in Sections 4.4 and 5.1.1. You must document the Card sale and send Sales Data to us as described below.

5.1.1 Obtaining Authorization

For each mail or telephone order Card sale, you may transmit the CID with the authorization request as described in Section 4.4.1.2. If you accept a Card sale without receiving a prior authorization approval as described in Section 4.4 or without transmitting the CID in the authorization request, the Card sale may be subject to Chargeback to you as described in Section 8.2. If you do not submit the CID in the authorization request, you may be charged a fee as described in Section 9.3.

5.1.2 Address Verification Requirements

For each mail or telephone order Card sale, you must comply with the address verification procedures in Section 4.4.10 or you may be charged a fee as described in Section 9.3.

5.1.3 Documentation of Card Sales

In addition to complying with the requirements for preparation of Sales Data in Section 4.2, you must obtain the following information from the Cardmember for each mail or telephone order Card sale: Cardmember name, Card Account number, Card expiration date, billing address and shipping address, if different than the billing address. You must retain such information along with the shipping date for the document retention period in the Agreement. You shall provide the shipping date to the Cardmember at the time of each telephone order Card sale and upon request for each mail order Card sale.

5.1.4 Transmission of Sales Data

For each mail or telephone order Card sale, you must transmit Sales Data to us each Business Day in our form and format. All Sales Data shall be transmitted to us using an electronic means of transmission. You must not transmit Sales Data to us for merchandise or services ordered by a Cardmember until the

merchandise or services have been shipped, delivered or furnished to the Cardmember; except that you may accept a Card for a deposit on a purchase of merchandise or services and you may transmit the Sales Data relating to such deposit prior to the time of shipment or delivery of the merchandise or services purchased in such Card sale.

5.1.5 Delivery Requirements

At the time of delivery of merchandise or services ordered in a mail or telephone order Card sale, you must provide the Cardmember with an invoice or other documentation that includes the information obtained from the Cardmember in Section 4.2.3. You also must obtain the Cardmember's signature as proof of delivery if delivery is made to the Cardmember. If the Cardmember requests delivery to a third party, you must obtain the signature of a party designated by the Cardmember as proof of delivery. You must retain this proof of delivery for the document retention period set forth in the Agreement. If a Cardmember takes delivery of merchandise ordered by mail or telephone at your retail location, you must obtain an imprint of the Card and the Cardmember's signature on the Sales Data.

5.2 Card Sales Over the Internet

You must obtain our prior approval before accepting any Card transactions over the Internet and you must comply with the requirements in the Agreement and these Operating Regulations for each Card sale accepted over the Internet. Any Card sale that does not comply with the Agreement and these Operating Regulations is subject to Chargeback as described in Section 8.2. For each Card sale over the Internet, you must comply with the requirements in Section 5.1 and the requirements in this section.

5.2.1 Protocol for Internet Card Transactions

Each Internet Card transaction accepted by you and submitted to us shall comply with our standards, including, without limitation, our standards governing the formatting, transmission and encryption of data, referred to as our "designated protocol". You shall accept only those Internet Card transactions that are encrypted in accordance with our designated protocol. As of the date of these Operating Regulations, our designated protocol for the encryption of data is Secure Socket Layer (SSL). We may, at our discretion, withhold Settlement until security standards can be verified. However, our designated protocol, including any specifications with respect to data encryption, may change at any time upon 30 days advance written notice. **You may not accept Card Account numbers through Electronic Mail over the Internet.**

5.2.2 Browser Support for Protocol

You shall not accept any Internet Card transactions unless the transaction is sent by means of a browser which supports our designated protocol. However, if you desire to accept a Card transaction from a Cardmember whose browser does not support our designated protocol, you may accept such a Card transaction by means other than the Internet, such as mail, telephone or facsimile.

5.2.3 Authorization and Submission Requirements

You shall not accept any Internet Card transactions except in compliance with the Agreement and these Operating Regulations. Additionally, you shall comply with the following requirements for each Internet Card transaction:

- You must obtain an authorization decision for the Card sale as described in Sections 4.4 and 5.1.1 using an electronic means of transmission that is approved by us.
- You may submit the CID to us as described in Section 4.4.1.2. If you do not submit the CID to us, the Card sale may be subject to Chargeback as described in Section 8.2 and you may be charged a fee as described in Section 9.3.
- You must obtain address verification for the Card sale from us using the procedures described in Section 4.4.10 or you may be charged a fee as described in Section 9.3.
- You must submit Sales Data using an electronic means of transmission and you must comply with other requirements in Section 7.1. You may not submit Sales Data to us using non-electronic means.
- You must not submit Sales Data to us until the merchandise or services ordered are delivered to the Cardmember.

5.2.4 Data Security

You agree to comply with our information security requirements for Card transactions, as described in Section 12.6. Please review the requirements in Section 12 and confirm that your procedures comply with such requirements before accepting any Card transactions over the Internet.

5.2.5 Chargeback for Noncompliance

Any Card transaction over the Internet that fails to comply with the Agreement or these Operating Regulations is subject to immediate Chargeback as described in Section 8.2. We may collect any amounts owed by you with respect to Chargebacks on Internet Card transactions from the proceeds of Settlement amounts otherwise payable for any Card transactions. We may, at our discretion, terminate the Agreement immediately if you fail to comply with these terms.

5.3 Recurring, Installment or Other Periodic Billing Plans

If you accept Cards for recurring, installment or other periodic billing plans ("recurring billing"), you must comply with the requirements described below before initiating a series of Card transactions and also with respect to each individual Card transaction. A recurring billing plan means an obligation, either of a fixed or variable amount that is paid by a Cardmember with a series of charges to a Card Account over a period of time.

5.3.1 Requirements-Overview

You must comply with the requirements in Section 4.4 and those described in this section with respect to each amount billed to a Card Account pursuant to a recurring billing plan. If you fail to comply with any of the requirements in Section 4.4 or in this section, or if a Cardmember raises a dispute at any time with respect to a Card sale involving a recurring billing plan or the goods or services that you agreed to provide in a recurring billing plan, we may, at our discretion, Chargeback any installment that is subject to dispute in addition to any installments that you previously submitted to us, in accordance with Section 8.2.

- You must obtain and preserve a record of the Cardmember's approval, as described in Section 5.3.2, for a recurring billing plan that charges amounts to a Card Account.
- You must receive a separate, current authorization decision from us for each installment billed to a Card Account under a recurring billing plan. Each request for an authorization decision for a recurring billing transaction must be transmitted to us in our form and format unless otherwise agreed upon in writing by us as indicated in our records. Our form and format are described in our Authorization Message Formats. The ISO recurring billing processing codes of 13, 14 or 15 must be transmitted with the authorization approval. If an authorization approval is provided to you for a Card sale for an installment payment pursuant to a recurring billing plan, that is not a guarantee that any future installment billed to a Card Account will be authorized or paid by us. Please refer to Section 4.4 of the Operating Regulations for an explanation of how to obtain authorization decisions for Card sales.
- You must submit the CID to us for the first installment of a recurring billing plan. If you do not submit the CID to us for the first recurring billing transaction, we may Chargeback all of the recurring billing installments that you submit to us as described in Section 8.2 and you may be charged a fee as described in Section 9.3. You must not store the CID as described in Section 12.7.
- The Sales Data that you transmit to us for recurring billing transactions must comply with the requirements in Section 7.1. If you do not comply with the deadline for submission of Sales Data in Section 7.1, you may be charged a fee in the amount set forth in your Agreement, Exhibit B or other notification from us, as described in Section 9.3. If we or you terminate the Agreement, you may not submit Sales Data to us for recurring billing Card sales that are due after the effective date of termination. If a Cardmember who agreed to a recurring billing plan ceases to be a Cardmember due to his, her or our termination of the relationship, you may not submit Sales Data to us for any further installments on that Card Account and you must find an alternate method of collection from the Cardmember.

5.3.2 Cardmember's Approval

You must obtain the Cardmember's written approval to charge amounts to their Card Account over the term of the recurring billing plan. If you use the Internet or another electronic process to receive an application from a Cardmember for a recurring billing plan, you must retain electronic evidence of the Cardmember's approval of the recurring billing plan. In any event, the Cardmember's approval, whether written or electronic, must include all of the following information:

- Cardmember's name, address, and Card Account number.
- Amount of each installment, unless the amount of the installment varies.
- Timing or frequency of payments.
- Length of time over which Cardmember permits you to bill installments to the Card Account.
- Merchant Account number assigned to you.
- Card expiration date.
- Dollar amount of transaction including tax and tip (dollars and cents).

You must retain evidence of the Cardmember's approval of the recurring billing plan for the longer of either the term of the recurring billing plan or the document retention period in the Agreement. Upon our request, you must provide us with evidence of the Cardmember's approval of the recurring billing plan. In the event of renewal of a recurring billing plan or the expiration of a term of a recurring billing plan, you must obtain new evidence of the Cardmember's approval of such continued participation in the recurring billing plan.

5.3.3 Complete Sales Data

In addition to obtaining an authorization decision for each Card sale as set forth in Section 4.4 and retaining evidence of the Cardmember's approval of the recurring billing plan, the Sales Data that you submit to us for Card sales involving recurring billing plans must comply with Sections 4.2, 7.1 and the requirements described below.

- Sales Data prepared by you for each Card sale must include a general description of the Card transaction, the name of your establishment and a toll-free customer service number that the Cardmember may call to obtain customer assistance or revoke their written approval of the recurring billing plan. If this information is provided in the Sales Data, you are not required to send a separate statement of charges to the Cardmember for each amount billed to the Card Account in a recurring billing plan.
- For each Card transaction involving a recurring billing plan, you must submit Sales Data to us in our form and format, unless otherwise agreed upon in writing as indicated to us in our records, and you must contact us to obtain certification from us before you submit Sales Data.
- You must submit the CID, as described in Section 2.2, to us with the authorization request for the first installment billed to the Card Account. For subsequent installments billed to the Card Account, the CID must not be submitted or stored as described in Section 12.7.

6.0 SPECIAL CIRCUMSTANCES

6.1 Card Acceptance during Store Closings or Liquidation

You must comply with the following requirements during the liquidation and/or closure of any of your outlets, locations and/or entire business:

- Post signs visible to customers stating "All Sales Are Final."
- Stamp receipts or print Sales Data with notice that "All Sales Are Final."
- Contact us at 1-800-347-2000 to advise of the closure of locations and/or liquidation of your establishment.

6.2 Policies for Merchants in the Lodging Industry

6.2.1 Overview

Provided below are our requirements for Merchants in the lodging industry, who take reservations and require Cardmembers to pay advance deposits. If you do not comply with the procedures in Section 6.2.2 for guaranteed reservations and Section 6.2.3 for advance deposits, any Card sales accepted by you for guaranteed reservations and advance deposits are subject to Chargeback as described in Section 8.2. Please note that for all Card transactions that are not swiped through your terminal or POS device you must follow the procedures described in Section 5.1.

6.2.2 Requirements for Guaranteed Reservations

You may accept Cardmembers' reservations for accommodations and guarantee rooms for late arrival after the normal 6:00 p.m. (local time) check-in deadline if you follow the procedures in this Section 6.2.2. If the check-in deadline passes without a cancellation of the reservation by the Cardmember, you may bill the Cardmember for one night's lodging (plus applicable taxes); if you have complied with all of your obligations in this Section 6.2.2.

6.2.2.1 Notice to Cardmember of Rights and Obligations

At the time of reservation, you must verify that the Cardmember plans to guarantee their reservation. If a guarantee is requested, you must advise the Cardmember of the rights and obligations set forth below and you must comply with these requirements. You must inform the Cardmember of the room rate and reservation confirmation number and you should advise the Cardmember to retain this information.

- Accommodations of the type requested by the Cardmember will be held by you until check-out time on the day following the scheduled arrival date.
- If the Cardmember seeks to cancel the reservation, the Cardmember must do so before 6:00 p.m. (local time) on the scheduled arrival date. Resorts may move the 6:00 p.m. (local time) deadline back no more than three hours to 3:00 p.m. (local time), if the Cardmember has been informed of the date and time the cancellation privileges expire.
- At the time of the reservation, you shall provide the Cardmember with a telephone number to call for cancellations and instructions to retain a record of it.
- If the reservation is not cancelled within the allowed time frame and the Cardmember does not use the accommodation and you do not rent the room to another guest, you may bill the Cardmember for a No-Show charge equal to one night's lodging (plus applicable taxes).

6.2.2.2 Record of Guaranteed Reservations

You must preserve a record of the following information for each guaranteed reservation:

- Cardmember's name as it is embossed on the Card
- Card Account number and Card expiration date
- Anticipated arrival date and length of stay
- The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire
- Any other pertinent details related to the reserved accommodations

6.2.2.3 Written Confirmation of Guaranteed Reservations

You must provide Cardmembers with written confirmation of each guaranteed reservation. The confirmation must contain:

- Cardmember's name as it is embossed on the Card
- Card Account number and Card expiration date
- Reservation confirmation number
- Anticipated arrival date and length of stay
- The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire
- Any other pertinent details related to the reserved accommodations

6.2.2.4 Cancellation of Guaranteed Reservations

If a Cardmember seeks to cancel a reservation in accordance with your cancellation policy and specified time frames, you must provide the Cardmember with a cancellation number and instructions to retain a record of it. You shall forward written confirmation of the cancellation of each guaranteed reservation within three Business Days of Cardmember's request for written confirmation. This cancellation confirmation must contain:

- Cardmember's reference that charges were placed on the Card, if applicable
- Cardmember's name as it is embossed on the Card
- Card Account number and Card expiration date
- Reservation cancellation number
- Any other pertinent information related to the reserved accommodations

6.2.2.5 Sales Data for "No-Show" Charges

If the Cardmember does not cancel a reservation in accordance with your cancellation policy and specified time frames and the Cardmember does not use the accommodations and you do not rent the room to another guest, you may charge the Cardmember for a "No-Show" charge by preparing and transmitting Sales Data with the following information:

- Cardmember's name as it is embossed on the Card
- Card Account number and Card expiration date
- Hotel name and location (imprinted)
- Room rate (quoted when reservation was made including applicable taxes)
- Transaction date
- Authorization approval code
- Employees initials
- The words "No-Show" printed on the Cardmember's signature line

6.2.3 Advance Deposit

You may require Cardmembers to pay a deposit at the time of a reservation, if you comply with the requirements in this Section 6.2.3. The amount of the deposit cannot exceed the cost of seven nights lodging (plus applicable tax) and the deposit must be applied to the entire bill. When you require an advance deposit, you must provide Cardmembers with the information required below. **Note:** Cardmembers may NOT be charged a No-Show penalty in addition to a forfeited advance deposit.

6.2.3.1 Obligations with Advance Deposits

If you take advance deposits for reservations, you must comply with the following requirements:

- Hold reserved accommodations until check-out time following the last day covered by an advance deposit.
- A specified reservation cancellation time frame including the date and time when cancellation privileges expire.
- Full reimbursement of advance deposits when the Cardmember cancels a reservation within the specified time frame.
- A disclosure informing Cardmembers of their rights and obligations that failure to cancel a reservation within the specified time frame may result in forfeiture of all or part of an advance deposit. **Note:** Cardmembers may NOT be charged a No-Show penalty in addition to a forfeited advance deposit under this policy.

6.2.3.2 Sales Data Requirements for Advance Deposits/Folio

For each advance deposit taken by you, you shall prepare Sales Data in the amount of the advance deposit and transmit it to us immediately after taking the reservation for the advance deposit. Sales Data must contain the following information:

- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Cardmember's complete mailing address and phone number
- Transaction date
- Anticipated arrival date and length of stay
- Reservation confirmation number
- Authorization approval code
- Advance deposit amount (including applicable taxes)
- Words "Advance Deposit" on the Cardmember signature line

6.2.3.3 Written Confirmation

You must provide the Cardmember with written confirmation of an advance deposit that contains the following information.

- A copy of the Sales Data that you prepared and transmitted for the advance deposit
- Reference that charges were placed on the Card
- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Reservation confirmation number
- Anticipated arrival date
- The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire
- Any other pertinent details related to the reserved accommodations

6.2.3.4 Cancellation of Reservations with Advance Deposits

If the Cardmember requests a cancellation of a reservation in accordance with your cancellation policy and time frames, you must issue a Credit to the Cardmember's Card Account for the full amount of the advance deposit charged to the account within the number of days described in Section 7.1 of the Cardmember's request. In addition, you must:

- Provide a cancellation number to the Cardmember and instructions to retain a record of the number.
- Prepare Sales Data for the Credit as described in Section 6.2.3.5 and transmit the Sales Data to us within the number of days described in Section 7.1 of the Cardmember's request.

6.2.3.5 Sales Data Required for Cancellation of Reservations with Advance Deposits

You must prepare and transmit Sales Data to us for each cancellation that includes the following information and you must send a copy of the Sales Data documenting the Credit to the Cardmember within the number of days described in Section 7.1 of the Cardmember's request for cancellation of a reservation:

- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Cardmember's complete mailing address and phone number
- Transaction date
- Reservation Cancellation Number
- Advance deposit amount
- Words "Advance Deposit" on the Merchant's signature line

6.2.4 Overbookings

If the accommodations reserved by a Cardmember pursuant to a guaranteed reservation or with an advance deposit are unavailable upon arrival you must at your own expense, provide the Cardmember with the following:

- Comparable accommodations for one night at a similar Merchant location (including applicable taxes)
- Transportation to the alternate Merchant location
- Forwarding of all calls and messages to the alternate Merchant location

6.2.5 Priority Check-out Service

If you offer priority check-out services, you must comply with the following requirements:

1. Require the Cardmember to sign the registration card at the time of check-in acknowledging responsibility for all charges. Obtain an authorization decision for the estimated amount of the accommodations at check-in by swiping the Card through your terminal or POS device.
2. Complete Sales Data at check-out by entering the total amount of charges incurred during the stay including: restaurant, telephone and miscellaneous expenses.
3. Write the words "Priority Check-out" on the signature line of the Sales Data.
4. Obtain a final authorization approval code for any additional amounts from the check-in estimate to equal the total amount to be billed to the Cardmember. Follow the authorization procedures set forth in Section 4.4.
5. Mail the Cardmember (at the address shown on the registration card) a copy of the Sales Data and itemized lodging bill.
6. Transmit completed Sales Data to us within the number of days described in Section 7.1.

6.2.6 Estimated Authorization

If you seek to obtain an authorization decision for the estimated amount of charges to be billed to a Cardmember, you shall comply with the following procedures. At the beginning of the Cardmember's stay and on a periodic basis thereafter, you may obtain an authorization decision as set forth in Section 4.4 for an amount equal to the estimated total of a Cardmember's charges based on his/her length of stay and other criteria. You must follow the procedures in Section 6.2.6.1 to obtain an authorization decision for the amount of the estimated charges expected during the length of a Cardmember's stay and to obtain additional authorization decisions for the actual charges that exceed the amount originally estimated by you for which you obtained authorization decision.

6.2.6.1 Check-in Estimate

At check-in, you may estimate the Cardmember's total charges based on the below requirements and obtain an authorization decision for the amount of that estimate:

- Intended length of stay
- Room rate
- Applicable taxes
- Applicable service charges
- Any miscellaneous charges, as dictated by experience

6.2.7 Changes to Estimated Charges

You must monitor the charges made during the course of a Cardmember's stay to ensure that the actual charges do not exceed the amount indicated in the estimated authorization. The following conditions apply:

- If the actual charge activity exceeds the amount of the estimated authorization, then you must secure a positive authorization decision or approval for the amount in excess of the estimated authorization. **Note:** Such amounts should not be cumulative and each additional authorization decision should cover a separate portion of the total amount. If an authorization request is declined, no charges occurring after that date will be accepted by us for that Cardmember.
- A final (or additional) authorization decision is not required if the final amount (total sum) of the Cardmember's charges does not exceed the sum of the previously authorized charges, plus a 15 percent tolerance.
- The dates, authorized amounts, and their respective authorization approval codes must be individually recorded on the Sales Data and Folio.

6.3 Customer Activated Terminals ("CAT Terminals")

If you sell petroleum-related products and use Customer Activated Terminals ("CAT Terminals") to accept Cards, you may use the special procedures for authorization described in Section 4.4.11 if you comply with the following requirements.

6.3.1 You must contact the Sales Representative assigned to your account to obtain a unique Merchant Account number for use exclusively with Card transactions on CAT Terminals ("CAT Merchant number"). If you are unable to contact our Sales Representative assigned to your account, please contact our Merchant Services Center at 1-800-347-2000.

6.3.2 You agree to use the unique CAT Merchant number (not any other Merchant number) for all Card transactions on CAT Terminals. You shall use the CAT Merchant number for the sole and exclusive purpose of Card transactions on CAT Terminals.

6.3.3 If you comply with the procedures in this Section 6.3 and the procedures for obtaining authorization decisions in Section 4.4, the Card transactions that you accept on CAT Terminals will not be subject to Chargeback up to the maximum amount of your Floor Limit for the reasons: Missing Signature (IS) and No Imprint on Sales Slip (SI). You may be subject to Chargeback for other reasons, including, without limitation, the failure to comply with the procedures in this Section 6.3 and Section 4.4.

6.4 Merchants in the Quick Serve Industry

You may not accept a Card using our Quick Serve program unless you operate in the Quick Serve Industry as described below and have executed a Quick Serve Agreement with us. Quick Serve Industry means operating a food service establishment, parking garage, entertainment venue or other comparable area identified in writing by us that requires customer payment at the time of the order.

7.0 PROCESSING AND SETTLEMENT

7.1 Transmission of Sales Data

You must transmit Sales Data to us within ten (10) calendar days of the date that you accept a Card sale or issue a Credit, to the location that we specify, unless we notify you of a different submission deadline. If you submit Sales Data after the submission deadline ("late" or "stale" transactions), we may: (a) charge Submission Error Fees as described in Section 9.3; (b) hold Settlement amounts for the time period that we deem necessary; and (c) Chargeback such Card transactions to you. If you submit Sales Data after the deadline, you agree to indemnify and hold us harmless from and against all claims, damages and lawsuits arising out of the Card transactions. Except for Cardmember deposits for purchases, you may not send us Sales Data for goods or services ordered by a Cardmember until the goods or services have been delivered or furnished to the Cardmember.

7.1.1 Submitting Electronic Sales Data

If you transmit Sales Data to us by electronic means, you must transmit your Sales Data each Business Day to the location that we specify. For Sales Data submitted electronically, the number of Sales or Credit transactions should not exceed your terminal's maximum capacity per batch. Please follow the instructions given to you by your terminal provider on how to process and submit sales transactions using your terminal. **Note:** If you submit your sales electronically, do not mail your Sales slips or Credit slips to us unless we direct you to do so.

7.1.2 Submitting Paper Sales Drafts

If you send Sales Data by mail, you agree to send your Sales Data to the location that we specify in the envelopes provided to you. In remitting such data to us, you must provide us with the location (City/State) of each transaction. Payment will be made to you directly after your Sales Data has been received and processed, as described in these Operating Regulations.

7.1.3 Record Retention

You agree to keep an original copy of all Sales Data, mail/telephone order forms, the documentation required in the Operating Regulations and other related document(s), e.g. shipping invoices, for no less than 365 days from the Card transaction date, or 180 days from the date of submission of Sales Data to us, whichever is later. You also agree to keep microfilm or other copies of Sales Data for no less than 3 years from the date of the Card transaction. You agree to provide us with a copy of any Sales Data, mail/telephone order forms and the documentation required in these Operating Regulations, within 22 calendar days of our request.

7.2

Settlement

The term "Settlement" means the procedure by which we will reimburse you for the amounts payable to you pursuant to the Agreement with respect to the Card sales accepted by you and by which you will pay us for the amounts that you owe us. Your Settlement total for each period that we calculate Settlement will be the sum of the following items:

- Purchases made at your Merchant location in the form of Sales Data transmitted to us (see Section 7.1).
- Minus Credits submitted by you to us (see Section 4.3).
- Plus or minus Chargebacks (see Sections 8.2 and 8.3).
- Minus Merchant Fees, as applicable, Submission Error Fees and other fees payable by you (see Section 9.0), as applicable.
- Plus or minus adjustments we make to reconcile or correct errors in your Sales Data (see Section 7.2.1).

Adjustments or discrepancies between the batch transmittal total transmitted with your Sales Data and the actual sales detail will be offset against the same or subsequent Business Day's Settlement total. Chargebacks will be offset against the same or subsequent Business Day's Settlement total.

We may, at our option, collect amounts owed by you using any or all of the following means and not necessarily in the following order: collect amounts owed by you from the Settlement Account as described in Section 7.2.3, offset amounts otherwise payable to you or make demand for such amounts. You agree to immediately send us amounts upon demand. We may collect amounts owed by you from the proceeds of Settlement amounts payable to you if such obligations arise pursuant to the Agreement, these Operating Regulations and any other agreements between you or your affiliates and us.

7.2.1 Settlement Adjustments

We may process adjustments to you in order to collect amounts owed by you for Card transactions that have been improperly processed. These adjustments may be at your request or at our discretion. Reasons for adjustments may include, but are not limited to:

- Card sales or Credits processed on the incorrect Cardmember number.
- Calculation errors on the Merchant Batch Transmittal.
- The total of Card sales and Credits submitted on the Merchant Batch Transmittal did not match the actual total of transactions processed by us.
- Sales Data or Credit data were illegible, incorrectly completed or incomplete.
- Items other than Card sale transactions or Credits were submitted.

Some of the adjustment reason codes we will use are listed below:

Code	Description
IN	Invalid Cardmember Account
MA/ML	Amount adjustment
MB	Sale posted as a Credit
MG/MP	Duplicate processing
MI/MM	Incorrect Merchant
MO	Merchant-only adjustment
MR/MX	Miscellaneous adjustment
MT/MU	Transmission dump
MW	Merchant write-off
MZ	Credit posted as a Sale
RT	Dispute adjustment (Dispute by Cardmember initiated more than 180 days after Card Sale and Merchant failed to comply with its obligations in the Agreement and/or Operating Regulations)

7.2.2 Settlement Initiation

We will pay you for Settlement amounts in accordance with the timing set forth below unless we have notified you in writing of different payment timing. For Sales Data transmitted to us in electronic form and received by us at or before 7:00 p.m. of your local time on a Business Day at the location we specify, we will use our best efforts to initiate Settlement by the following Business Day. For Sales Data transmitted to us in electronic form and received by us after 7:00 p.m. of your local time on a Business Day at the location we specify, we will use our best efforts to initiate Settlement by the second Business Day following receipt of the Sales Data. For Sales Data mailed to us in paper form, we will use our best efforts to initiate Settlement by the second Business Day following receipt of the Sales Data. We may change the schedule for Settlement of Sales Data upon five (5) days' written notice to you as described in the Agreement. While we initiate Settlement on a certain day, you may receive such amounts at a later time due to the various parties involved in the banking and settlement system.

7.2.3 Settlement Account

Depending upon the Settlement option that you select, we will either send the funds electronically to an account that you designate at a mutually agreed upon U.S. financial institution (the "Settlement Account") or send you a check for Settlement. If you choose electronic Settlement, you authorize us to credit and debit the Settlement Account as indicated below and in accordance with the rules and procedures of the applicable

clearinghouse association and Settlement institution(s). This authority will remain in effect until five Business Days after we receive written notice of your cancellation of such permission. We are not liable for any delays in the receipt of funds in your Settlement Account or errors in debit and credit entries caused by third parties, including but not limited to, a clearinghouse, your financial institution or your agents.

If there are insufficient funds in your Settlement Account to pay us the amounts you owe us, you agree to immediately send us such amounts upon demand, or at our option, we may offset such amounts owed to us from money that we may subsequently owe you.

Additionally, if we receive returned items due to insufficient funds in your Settlement Account, we may charge you a fee per returned item and we may also charge you for any fees incurred by us on the returned items.

7.2.3.1 Changing the Settlement Account

In order to ensure prompt Settlement of funds, please provide us with at least three (3) Business Days' advance notice of any changes to your Settlement Account. When requesting a change to your Settlement Account, you will be required to verify the existing bank information. We may also request that you provide us with a copy of a voided check for the new Settlement Account and the reason for such change. Section 10.3.1 describes your obligation to notify us of any changes in ownership of your business, corporate changes and legal proceedings to which you are a party that may result in changes to your Settlement Account. You may use Discovernetwork.com to print out a form to request a change in your Settlement Account. We will not be responsible for funds sent to an incorrect bank account due to your failure to notify us as set forth above. If the Settlement Account indicated in our records becomes inactive or transactions directed by us to the Settlement Account are returned to us, we may hold Settlement amounts until you contact us to establish a new Settlement Account.

7.2.4 Responsibility of Merchant for Settlement Verification and Statement Review

You are solely responsible for reviewing all of the Settlement amounts that you receive and your periodic reports referred to in Section 7.4 to confirm that the payments you receive correctly match your Sales Data submissions. If you believe you have received an underpayment, you must notify us immediately so that we may pay you any additional amounts owed. If you fail to provide us with written notice of an objection to the information in any periodic report or any Settlement payment (or lack thereof) within 90 days of the date funds have been settled and we cannot recover any misposted funds that should have been paid to you, we will not be required to pay you the amount of any such funds. If you have received an overpayment or a payment is mistakenly sent to you, you must immediately notify us and remit the overpayment to us. You may not spend any overpayment, and if an overpayment is in the Settlement Account, you may not withdraw it except to make arrangements to return it to us. You agree that we may debit the Settlement Account for the amount of the overpayment, or at our option, we may, without prior notification, offset such amounts owed to us from money that we may subsequently owe.

If you fail to provide us with prompt written notice as indicated above, you understand and agree that you are forever barred and stopped from challenging, objecting to, or otherwise disputing either the Settlement payments described in your periodic reports or the amounts paid (or not paid) to you as Settlement for Card sales. You also expressly release us from any and all claims, causes of action and defenses arising from, or related to, any Settlement amount which you have not disputed through the delivery of actual written notice to us as described above. You acknowledge and agree that this release relates to future claims, and further understand and agree that this release and the related acceptance of responsibility for the review of periodic statements of account and Settlement payments are material terms of the Agreement, and without such terms, we would not agree to enter into the Agreement and provide related services in connection therewith.

7.2.5 Suspension of Settlement

At the termination or during the term of the Agreement, we may at our discretion, withhold or suspend Settlement amounts without prior notice to you, as required by law (i.e. pursuant to a subpoena or court order) or in order to exercise our rights pursuant to the Agreement and these Operating Regulations.

7.3 Payments from Cardmembers

You may not receive or process any money representing a Cardmember's payment to the Issuer. The Issuer has the sole right to receive payment from Cardmembers for Card transactions made at your establishment. If you receive a payment from a Cardmember, you must immediately forward it to us at the following address:

East of the Mississippi:

Discover Network

Merchant Services Center

P.O. Box 3018

New Albany, OH 43054-3018

West of the Mississippi:

Discover Network

Merchant Services Center

P.O. Box 52145

Phoenix, AZ 85072-2145

7.4 Periodic Reports

We shall prepare periodic reports describing the Card transaction activity on your Merchant Account during the period covered by the report, including, the Card sales accepted by you, the Merchant Fees and other fees applicable to such Card sales, any Chargebacks owed by you and any other transactions. We may provide reports to you or make them available for retrieval by you according to a mutually agreed upon process. If we make reports available to you on the Internet, you are responsible for retrieving them. Please verify that each report includes the accurate total for all Card transactions that you accepted and all Sales Data that you transmitted during the period covered by the report.

8.0 TICKET RETRIEVALS AND CHARGEBACKS

8.1 Ticket Retrievals

From time to time, we may receive a request from a Cardmember or Issuer for information regarding a Card transaction made at your establishment, or a Cardmember may dispute a Card transaction. If we request documentation (referred to as a "Ticket Retrieval") from you as a result of such an inquiry, you must provide us with a copy of the Sales Data within 22 calendar days of our request. If you do not respond to a Ticket Retrieval request within 22 calendar days, we may return the Card transaction or Card transactions to you as a Chargeback, as described in Section 8.2. Your response to our request must be sufficiently legible for submission to the Cardmember for review and must identify the Card Account number. In response to a request for a copy bearing the Cardmember's signature, you may provide a legible reproduction of the Sales Data in addition to reproductions using electronic signature capture technology. To satisfy Ticket Retrieval requests for certain transactions, you may provide substitute Sales Data in accordance with other sections of these Operating Regulations. For Ticket Retrieval requests satisfied with substitute Sales Data, the Issuer may subsequently dispute the Card transaction if any of the required data elements listed below are missing:

- The Card Account number, except where truncated due to state or local regulations
- The Cardmember name
- The Card expiration date
- The Transaction amount
- The Transaction date
- The Authorization approval code
- The Merchant name and location
- A description of the merchandise/services

In addition to the above requirements, the following data elements are required in these special circumstances.

For Mail Order/Telephone Order and Internet transactions:

- The "ship to" address
- Signature obtained upon delivery

For Car Rental:

- The rental location and return location
- The rental agreement number
- The rental and return dates
- The description of the rental - type of vehicle, mileage

For Lodging and Cruise Line:

- The date of the stay including room rate, taxes, food and beverage charges and incidental charges

For Airline and Passenger Railway:

- The address to which the ticket was mailed
- The passenger name
- The travel agent name and location
- The airline flight or railway itinerary information

For Transaction Completed at a Self Service Terminals:

- The self service terminal locations code or city and state

For Transactions Completed at Customer Activated Terminals:

- The service station identification number
- The invoice/transaction reference number.

8.2 Chargebacks

Under certain circumstances, we may return a Card sale to you as unpaid, or we may return a previously paid Card sale to you for repayment to us. These returned charges are called "Chargebacks." If a billing error is asserted by a Cardmember with respect to a Card sale, or if a Cardmember complains to us about goods or services purchased with the Card from your establishment, you agree to act in good faith to attempt to resolve the problem with the Cardmember. If the Cardmember does not pay the Issuer for goods or services due to a billing or other dispute, we or the Issuer may process a Chargeback for the Card sale or disputed portion of it. If we or the Issuer are involved in a lawsuit with a Cardmember relating to a Card sale made at your establishment, you agree to cooperate with us and the Issuer to provide any assistance that we or the Issuer may reasonably require. If you do not follow all the terms of the Agreement and these Operating Regulations when making a transaction with a Card, or if a Card sale which is the subject of a billing dispute or other dispute is subject to Chargeback as specified in these Operating Regulations or the Agreement, we may refuse to pay you for the Card sale or the disputed portion of it. We and Issuers may also initiate Chargebacks to you for reasons described below. If we have already paid you, you must immediately pay the amount you owe us on demand, or we may deduct the amount in question from your Settlement Account or from future payments that we would otherwise owe you. We will notify you of Card sales that are subject to Chargeback as they arise, but in some instances Chargebacks may be processed prior to notification as specified in these Operating Regulations. If you and a Cardmember resolve a billing inquiry or dispute on a Card sale which has been charged back, and the Issuer notifies us that they are permitted by law to rebill the Cardmember for all or a portion of the disputed amount, we will reimburse you for that portion of the Chargeback which the Issuer can rebill the Cardmember. You must request such reimbursement within 90 days from the date of the Chargeback. If, due to federal and/or state laws, the Issuer is not permitted to rebill a Cardmember for all or a portion of a

disputed transaction, we will not be required to reimburse you for the Chargeback, even if you have complied with the terms of the Agreement.

If you fail to follow your Agreement or these Operating Regulations, we may Chargeback a Card sale to you within the later to occur of: 180 days after the transaction date or 90 days after your final and complete delivery of the goods or services purchased in the corresponding Card sale. Notwithstanding the periods described above, we may ask you to provide supporting documentation for certain transactions. If you fail to reply or if the documentation that you provide does not support the validity of the transaction, in the case of the Chargeback reason code UA (Unauthorized Purchase), we may process an adjustment to your account as described in Section 7.2.1. In addition to a Chargeback notification, we may send you a request for information regarding certain Card transactions beyond the time limits listed above. These notices request your assistance but do not require a response nor will it result in a Chargeback and/or adjustments to you. Information about Chargebacks in connection with your Merchant Account will be sent to you directly. Inquiries regarding Chargebacks and/or adjustments to your account should be directed to us at 1-800-347-2000. It may be necessary for you to provide documentation to us in order for us to resolve Cardmember problems and disputes.

8.2.1 Excessive Chargebacks

If you have Chargebacks that exceed 2% of the total number of Card sales submitted by you during any three-month period or any other percentage of your Card sales that we consider ordinary and reasonable for your industry, we may at our option assess a fee in the amount of \$25 for each Chargeback. If we believe any of your locations has a percentage of irregular or fraudulent transactions that is in excess of what we believe to be an ordinary and reasonable amount, we will place the location on a watch program, and suggest methods for you to reduce the level of fraud or irregular transactions. We may also, at our discretion, withhold or suspend Settlement accounts without prior notice to you during our investigation of your Card sales (see Section 7.2.5) and we may require you to maintain a reserve as described in the Agreement. If you are unable to reduce such irregular transactions, we may Chargeback any transactions we receive from you that we reasonably believe are irregular, and we may terminate your Agreement with us in accordance with the appropriate provisions of the Agreement.

8.2.2 Immediate Chargebacks

We may, at our discretion, Chargeback transactions to you immediately. We will notify you of each immediate Chargeback by mail, fax, electronically or other method. When you receive an immediate Chargeback notice, you are obligated to repay us at that time for the amount of the Chargeback. Reasons for Immediate Chargeback are listed below.

Code	Definition	Explanation
CV	Full Contents of Magnetic Stripe Not Included in Authorization Request	The transaction involves a counterfeit card with an altered magnetic stripe and/or the full contents of the magnetic stripe including the Card Verification Value were not present in the authorization request received by us.
DA	Declined Authorization	The purchase was completed after the Issuer provided a declined authorization decision.
EX	Expired Card	The Card transaction was processed using an expired Card.
IC	Requested Item Illegible Copy	The Sales slip provided in response to a Ticket Retrieval request is not legible.
LP	Late Presentation Transaction	The time from transaction date to date of processing exceeds the 60 day limit allowed by us, and the transaction cannot be promptly collected from the Cardmember.
RI	Non-Receipt of Requested Item	The Sales Data was not provided within 22 calendar days in response to Ticket Retrieval request.
SS	Split Sale	A transaction requiring an authorization decision was split into two or more Card sales to avoid authorization, and had the transaction been submitted for authorization, it would have been declined.
TF	Service Establishment Adjustment	The Merchant violated general operating procedures not covered by other codes. A detailed explanation will be provided.

Note: Not all Chargeback reason codes are applicable to all industries.

8.2.3 Pending Chargebacks

A pending Chargeback notice will be provided to you in certain instances. We will notify you of pending Chargebacks by mail, fax, electronically or other method. You have 22 calendar days from the notice date to respond satisfactorily before you are obligated to pay the amount of Chargeback to us. During the notice period, you should resolve the dispute directly with the Cardmember. You must then notify us of the resolution as instructed on the pending Chargeback notice. Reasons for pending Chargeback notices are listed below.

Code	Definition	Explanation
AL	Airline Transaction Dispute	The Cardmember is disputing an airline transaction in one of the following situations and has attempted and failed to resolve the dispute directly with the airline:

		<p>a) Cardmember billed for two transactions, only took one trip did not travel with companion, ticket numbers are different.</p> <p>b) Cardmember did not receive Credit from lost ticket application/refund application.</p> <p>c) Cardmember purchased first class ticket and was either "bumped" or downgraded to coach.</p> <p>d) Other disputes, excluding Cardmember inconvenience, with appropriate documentation.</p>
AW	Altered Amount	The Cardmember claims that the purchase amount agreed to by the Cardmember was altered after the Cardmember signed the Sales slip and without the Cardmember's consent or direction. Only the difference is charged back.
CD	Credit Posted as Sale	The Cardmember was charged for a Sale rather than a Credit.
DP	Duplicate Processing	The Cardmember was charged more than one time for a single transaction.
EF	Transaction Exceeds Floor Limit	The transaction is at or above the Merchant's assigned Floor Limit and required authorization was not obtained and Card transaction cannot, for whatever reason, be promptly collected from the Cardmember.
HC	Reservation Cancellation	The Cardmember was charged for a cancelled reservation.
IS	Missing Signature	The Sales slip is missing the Cardmember's signature and the Cardmember does not recognize the Card sale.
RG	Non-Receipt of Goods	The Cardmember was charged for goods or services but never received the goods or services or cancelled the transaction.
RM	Cardmember Disputes Merchandise/Service	The Cardmember disputes the quality of merchandise purchased or service rendered or any portion thereof.
RN	Non-Receipt of Credit	The Cardmember claims that a Credit issued by the Merchant never posted, or was partially posted, to the Card Account.
SI	No Imprint on Sales Slip	The Sales slip is not imprinted with the Card Account number: Cardmember does not recognize Card sale.
UA	Unauthorized Purchase	Neither the Cardmember nor any party authorized by the Cardmember participated in the transaction and Cardmember has no knowledge of the transaction.

Note: Not all Chargeback reason codes are applicable to all industries.

8.3 Reversal of Chargebacks

If you are unable to resolve a dispute with a Cardmember within 90 days from the date of Chargeback and you believe that your response to the Chargeback notice did not consider facts or information now available to you, you may request a Chargeback reversal from us. We will review all relevant facts and circumstances available to us that pertain to you and the Cardmember and we will, at our discretion, determine whether to reverse the Chargeback. We will at our sole discretion, grant a Chargeback reversal only if: 1) applicable law permits the Issuer to rebill the Cardmember for the underlying Card transaction; and 2) you have provided us with new information or information not available at the time of the original Chargeback. If we determine that a Chargeback will be reversed, we will issue a credit to you and take action to collect such amounts from the Issuer. You may not submit a new Card sale in an identical amount in order to recover a Card transaction that has been charged back. You may request a reversal of a Chargeback by submitting a copy of original Sales Data together with your explanation of the circumstances of the dispute to us. Such requests should be sent to:

Discover Network
Merchant Services Center
P.O. Box 3011
New Albany, OH 43054-3011

8.4 Chargeback of Card Not Present Sales

Compliance with the following requirements may help prevent Chargebacks, depending on the reason for the dispute. If these requirements are not followed when applicable, your Card sales may be subject to Chargeback. While following the requirements indicated below may help protect you, this is not a guarantee and you may still receive Chargebacks for other reasons.

- For Internet Card transactions, you must comply with the Address Verification Procedures in Section 4.4.10. For mail/telephone order Card sales and Card sales over the Internet, you must comply with the requirements in Sections 5.1 and 5.2.
- As described in Section 5.1, one of the following is the only acceptable proof of delivery for mail/telephone order Card sales: a valid Cardmember signature if the delivery is made to the Cardmember or if the Cardmember requests delivery to a third party, the signature of a party designated by the Cardmember.
- As described in Section 5.1, a valid Card must be presented when a Cardmember picks up merchandise ordered by telephone or mail. An imprint of the Card and Cardmember signature must be obtained at that time.

- If a Card Not Present transaction is completed without the authorization or knowledge of the Cardmember, you may be subject to Chargeback as described in Section 8.2. If you do not transmit the CID to us for a Card Not Present transaction where required in Section 4.4.1.2, the Card sale may be subject to Chargeback. You must demonstrate the following in order to avoid Chargeback:
 - You submitted an authorization request and submitted the CID where required in Section 4.4.1.2 and received an authorization approval code.
 - You submitted an Address Verification Service (AVS) request and received a positive match on both numeric street address and ZIP code.
 - You can provide us with proof of delivery to the Cardmember's billing address indicated in the AVS request.

9.0 MERCHANT FEE AND OTHER FEES

9.1 Merchant Fee and Other Fees

In consideration for your participation in the Card program, you agree to pay fees to us in the amount indicated by us in writing, including in your Agreement and/or Exhibit B to your Agreement, written notice that we send to you or in periodic reports that we send to you, all as evidenced by our records. The fees payable by you consist of some or all of the following: (a) a percentage of the Card sales accepted by you or a fee for each Card sale (in each case, "Discount"), as described in Section 9.2.1; (b) a Per Transaction Fee as described in Section 9.2.2; (c) Submission Error Fees as described in Section 9.3; (d) fees for services that you elect to receive from us, and (e) other fees payable by you, as indicated in our records, including, without limitation, application and set-up charges. The fees described in (a) and (b) above are collectively referred to as the "Merchant Fee".

If you receive daily or monthly activity reports, these reports will indicate the type of fees that you are required to pay, the method that we use to calculate your Merchant Fee and the amount of fees payable by you, including Merchant Fees and Submission Error Fees. If you receive daily or monthly summary reports, these reports will provide the total amount of fees payable by you, including Merchant Fees and Submission Error Fees.

When we establish your Merchant Fee, we rely on information that you provide in your application including your expected volume of Card sales and average transaction amount. If our experience with your Merchant Account is different than the information in your application, we may increase or change your Merchant Fee.

9.2 Calculating Your Merchant Fee

Your Merchant Fee is calculated using the method(s) indicated in our records for your Merchant Account.

9.2.1 Calculating the Discount Portion of Your Merchant Fee

If applicable, the Discount portion of your Merchant Fee is calculated as described below. For Discount based on a percentage of Card sales, we will multiply the percentage indicated in your Agreement or otherwise in our records by the Gross Card Sales or Net Card Sales accepted by you as indicated in your Agreement or in our records. "Gross Card Sales" means the total dollar amount of Card sales you have transmitted to us during the calculation period which may be monthly, daily or another period upon which we have agreed. "Net Card Sales" means the total dollar amount of Card sales you have transmitted to us during the calculation period which may be monthly, daily or another period upon which we have agreed, less an amount equal to the sum of: Credits, Chargebacks and adjustments (see Section 7.2.1) during your calculation period. For Discount based on a fee for each Card sale ("Per Card Sale Fee"), we will multiply the Per Card Sale Fee by the total number of your Card sales during the calculation period. Depending on the terms of your Agreement, your Discount is indicated in one or more of the following locations: the terms of your Agreement, Exhibit B to your Agreement, written notice that we send to you or in periodic reports that we send to you, all as evidenced by our records.

9.2.1.1 Variable Discount

If your Discount varies based on the type of Card product (e.g. credit, stored value, commercial, debit), the amount of each applicable Discount will be identified in your Agreement and/or Exhibit B or written notice from us, as indicated in our records. If you receive Exhibit B, your Discount for all Card types other than credit shall be equal to the product of your credit Discount multiplied by the number listed opposite the respective Card type listed in Exhibit B.

9.2.1.2 Minimum and Maximum Discount

If the amount payable by you for Discount for any type of Card product (e.g. credit, stored value, commercial, debit) in any calculation period is less than the minimum Discount identified in your Agreement and/or Exhibit B or in other written notice from us ("Minimum Discount"), you agree to pay an additional amount equal to the difference between the actual Discount that you owe for the calculation period and the Minimum Discount. If the amount payable by you for Discount for any type of Card product in any calculation period is greater than the maximum Discount identified in your Agreement and/or Exhibit B or in other written notice from us ("Maximum Discount"), you shall only be obligated to pay the Maximum Discount.

9.2.2 Calculating Your Per Transaction Fees

If you are required to pay a fee on each Card sale or transaction as part of your Merchant Fee ("Per Transaction Fee"), we will calculate the amount that you owe for Per Transaction Fees as follows: we will multiply the amount of your Per Transaction Fee by the total number of Card sales or the total number of Card sales and Returns, as indicated by us in writing, that you transmitted to us during the calculation period. Depending on the terms of your Agreement, the amount of your Per Transaction Fee is indicated in one or more of the following locations: the terms of your Agreement, Exhibit B to your Agreement, written notice that we send to you or in periodic reports that we send to you, all as evidenced by our records.

9.2.3 Different Calculation Methods

If your Merchant Fee is calculated using a method other than those specified in this Section 9.2, the method will be described in your Agreement and you will be obligated to pay us an amount we determine by applying such other method. This method may be changed at our discretion upon written notice to you.

9.3 Submission Error Fees

You may be obligated to pay an additional transaction fee ("Submission Error Fee") if certain Card transactions do not comply with your obligations described below ("submission errors"). We will notify you of any submission errors that apply to your Card transactions and the applicable Submission Error Fees and any changes to the foregoing. If you receive daily or monthly activity reports, these reports will indicate the type of submission errors and the amount of the Submission Error Fees that apply to your Card transactions, the number of the submission errors during the calculation period and the total amount you owe for Submission Error Fees. If you receive daily or monthly summary reports, these reports will provide only the total amount of Submission Error Fees. The types of submission errors are identified below:

- Voice Usage: Use of a Representative rather than an electronic terminal, POS device or our automated service to obtain authorization or address verification (see Section 4.4.4);
- Required CVV Missing or Incomplete: Failure to transmit Card Verification Value ("CVV") data with an authorization request (see Section 4.4.1);
- Required CID Missing or Incomplete: Failure to transmit Card Identification Data ("CID") with an authorization request (see Section 4.4.1);
- Required AVS Not Obtained: Failure to obtain address verification (see Section 4.4.10);
- Late ("stale") transaction: Failure to transmit Sales Data by the submission deadline (see Section 7.1).

9.4 Collecting Your Fees

We will calculate and collect the total amount of fees that you owe us, including, without limitation, Merchant Fees and Submission Error Fees, if any, on a daily, monthly, or other applicable period basis, depending on your method of Settlement. If we collect your Merchant Fee monthly, or on any basis more frequent than monthly, we may upon thirty (30) days' notice to you, convert your Merchant Account(s) to more frequent Merchant Fee collection, including, without limitation, daily collection, if, at our sole judgment, we believe your financial condition warrants it or if you have previously failed to satisfy any obligation to us in a timely manner. We may use any or all of the following means, at our discretion and not necessarily in the order listed below, to collect Merchant Fees and Submission Error Fees from you: debit your Settlement Account, offset the total amount of Merchant Fees and Submission Error Fees owed by you from the Settlement amount we would otherwise pay you, or you will pay us any amounts that you owe us on demand.

9.5 Other Fees

If we incur any costs as a result of the exercise of our rights under the Agreement and/or Operating Regulations, we may require you to reimburse us for such costs, which may include, but are not limited to, fees associated with the method that we use to pay Settlement amounts to you.

In addition to the above referenced fees, you further agree to pay us as indicated in Section 9.4 for any excessive Chargeback fees, fixed monthly fees, per-transaction fees and other fees that you have agreed to pay us, as set forth in your Agreement and/or Exhibit B, these Operating Regulations and/or as reflected in our records.

10.0 FRAUD PREVENTION

We have taken precautions to protect Merchants and Cardmembers from fraudulent Card usage. By following the terms of these Operating Regulations and the Agreement, you will protect the interests of your business and those of your valued customers.

10.1 Reminders for Preventing Fraudulent Card Usage

In addition to following proper authorization procedures, you and your employees should pay careful attention to both the customer and the Card presented. In particular, you should keep the following in mind at every transaction:

- Make sure that the Cardmember's signature on the Sales slip matches the signature on the back of the Card. If the signature on the back of the Card does not match the signature on the Sales slip, please call us at 1-800-347-1111 and ask for a "Code 10" authorization (see Section 4.5 for further instructions). Check the signature panel for signs of erasure or alteration. Do not accept the Card if the word "void" appears in the signature panel.
- Check the Card expiration date.
- Examine the Card for signs of alteration (see Section 2.2). Check the features on the Card to ensure that they are valid, including, without limitation, checking Cards to determine if the stylized "D" is present.
- If you have any doubts about the validity of the Card or the customer, review additional identification from the presenter.
- If you are using an electronic terminal and printer to process transactions, verify that the Card Account number printed on the receipt matches the Card Account number embossed on the front of the Card.
- Follow procedures for Address Verification if Card Not Present (see Section 4.4.10).
- Enter the CID for all transactions that cannot be swiped.

10.2 Factoring

- What is factoring? Each year, Merchants experience losses after factoring Card sales. Factoring is a fraudulent activity in which the Merchant deposits Sales Data originating from another business. This activity is outside the scope of the Agreement.
- Who is involved in factoring? The most common scheme involves a party who offers a percentage of the Sales Data deposited by the Merchant.
- What are the problems involving factoring? The main problem arises when a customer expresses a complaint or dissatisfaction with the service supplied by the third party. Should this happen, the Card sale will be charged back to the Merchant who submitted the sale. This means if you deposit Sales Data for Card sales accepted by a third party, you will suffer any losses associated with these Card sales. Also, if any fraud is involved, you could face criminal prosecution.
- How could factoring affect my standing with Discover Network? Factoring is prohibited under the terms of your Agreement and may result in financial losses to you. It is grounds for, and will result in, immediate termination of our Agreement with you.
- What should I do if I am approached to factor sales for someone? If you are approached by anyone asking you to factor Sales Data for them, please notify our Security Department immediately at 1-800-347-3083.

10.3 Type of Business

10.3.1 Changes in Business

We have considered your application for a Merchant Account and proposed the terms of the Agreement based upon the information you provided in your application, including the type and kind of business you conduct. You must notify us immediately if you engage in, or in the future elect to engage in, any new lines or types of business activities not disclosed on your application or you materially change your business activities. You also must notify us immediately in writing or by calling 1-800-347-2000 under each of the following circumstances:

- Change of ownership
- Change in type or kind of business
- Change in your Merchant Category Code
- Change in business name or address
- Change in Settlement Account for Card transactions
- Change in your third-party processor or terminal provider
- Closing your business entirely or any locations
- Change in your processing method (for example, changing from paper slips to electronic terminal)
- If you are or become a party to a voluntary or involuntary bankruptcy case.
- Change in the federal tax identification number of the Merchant listed in our records
- Entering into a loan agreement with a third party that seeks to affect the Agreement or change Settlement directions
- Change to the entity that is a party to the Agreement or entities listed in our records, including by merger or acquisition
- Change to or from a business that conducts exclusively retail sales to one that accepts Card sales by mail, telephone order or Internet transactions.

10.3.2 Failure to Notify Us

If you fail to notify us of certain events as required by the Agreement or these Operating Regulations, we may terminate the Agreement. In addition, we may reject or Chargeback any Card sales related to a new business activity about which we have not been notified. We may charge you a different Merchant Fee for any Card sale related to any of your new business activities if we elect to accept that Card sale or type of business as a Merchant.

10.3.3 Ineligible Merchant Categories

As described in the Agreement, we may, from time to time, identify types of businesses that are not eligible for Merchant Accounts for reasons including the nature of the business or excessive risk. We may terminate your Agreement immediately if we, at our discretion, determine that you are accepting Cards in connection with the operation of any of the following types of businesses: collection agency; debt consolidation service; credit reporting service; credit cleansing service; Internet gambling; telemarketing or other prize packages that require the use of a Card; the sale of any goods or services using deceptive practices; any goods or services similar to those described above; any other activity or service deemed illegal by any U.S. federal, state or local law, statute or regulation (e.g. aiding, facilitating or offering Internet gambling services; establishing quasi-cash; credits or monetary value of any type that may be used for Internet gambling; the sale of counterfeit merchandise; the sale of alcohol, tobacco or firearms to minors) or any other illegal purpose.

If you sell age-restricted products, you shall be responsible for validating the legal age of the purchaser and shall prohibit Card sales by minors as required by law, including Card Not Present transactions. If you do not establish effective age verification procedures, we may, at our discretion, terminate your Agreement immediately. The presentation or use of a Card does not guarantee that the Cardmember is of legal age to purchase an age-restricted product.

If you sell pharmaceutical products over the Internet, you must demonstrate that you have the proper licenses to sell such products and you must comply with requirements for the authentication and validation of such orders. If you fail to provide such evidence, we may, at our discretion, terminate your Agreement immediately.

11.0 MERCHANT SUPPORT

11.1 Merchant Assistance

Discover Network offers toll-free telephone assistance for all supply orders and general inquiries Monday through Friday from 8:30am to 8:00pm Eastern Standard Time at 1-800-347-2000, except on certain federally-recognized holidays. Additionally, the Authorization and Address Verification services are available 24 hours a day, 7 days a week. Trained personnel are available to provide you with the service you need. Our Merchant Services Center may also be reached by mail at the following address:

East of the Mississippi:	West of the Mississippi:
Discover Network	Discover Network
Merchant Services Center	Merchant Services Center
P.O. Box 3016	P.O. Box 52145
New Albany, OH 43054-3016	Phoenix, AZ 85072-2145

11.2 Supplies

As a Merchant, you will receive the necessary forms for your Card transactions. If you send paper Sales Data to us for processing, you will also receive a Merchant identification plastic for use in an imprinter. Door decals and signage are available at no charge. These supplies can be ordered online by visiting our website at www.discovernetwork.com or by calling our Merchant Services Center at 1-800-347-2000.

11.3 Online Services

Our Internet site can be found at www.discovernetwork.com. This site provides you with tools to help you run your business more efficiently and effectively. Some of the many features included on this site are as follows:

- Review Chargeback notices
- Review periodic reports of Merchant Account activity
- Order supplies and signage
- Submit questions or suggestions to us at your convenience
- Learn about special promotions and offers
- Access reference materials
- Learn of the latest news about Discover Network

11.3.1 When using this service, please use the following guidelines:

- Prevent unauthorized access to www.discovernetwork.com by protecting your Login ID and PIN.
- Periodically review your list of authorized users on www.discovernetwork.com to ensure it is current and accurate.

11.4 Notices

Notices to us required under the Agreement should be sent to:

Sr. Vice President, Merchant Operations
Discover Network
2500 Lake Cook Road
Riverwoods, IL 60015-3800

You must send us notice of any of the conditions described in Section 10.3.1. We may provide notice of changes to your Agreement to you at the address indicated in our records and using the process described in the Agreement or we may send notices to you using any method of transmission, including, without limitation, U.S. mail, overnight service, facsimile and/or electronic mail.

11.5 Call Monitoring

You agree that we, our agents or service providers may monitor and/or record our telephone calls with you for quality assurance and training purposes.

12.0 CONFIDENTIALITY AND DATA SECURITY

12.1 Definition of Confidential Information

12.1.1 During the negotiation or during the term of the Agreement, you, your employees, officers, directors and agents may have access to and receive disclosure of Our Confidential Information. "Our Confidential Information" means information provided by or with respect to: us, our parent, subsidiaries or affiliates and/or Issuers (in each case, "Our Disclosing Party") including, but not limited to, the following (collectively, "Our Confidential Information"):

12.1.1.1 personal, biographical and other information about Cardmembers, including without limitation, names, addresses, telephone numbers, credit information, Card transaction history and patterns, whether in discrete or collective form; information about individual and collective Card Accounts, including, without limitation, the available credit on Card Accounts,

credit limits on Card Accounts, Card transaction history and the terms of Cardmember agreements with Issuers; Card Account information, including the following in discrete or collective form or as lists: Card Account numbers; Card Identification Data ("CID"); Card Verification Value ("CVV") data; Card transactions by individual and collective Cardmembers; Card transaction information, including, without limitation, the contents of Sales Data; and the Merchant Account numbers assigned by us;

12.1.1.2 information provided by or regarding Issuers, including, without limitation, the contents of each authorization request and authorization decision, the reason for any authorization decision by the Issuer; discrete and collective information regarding Cards issued by individual Issuers; and the identity of Issuers;

12.1.1.3 any of the following of or related to Our Disclosing Party: objectives, marketing philosophy, strategy and goals, technological developments, business procedures, competitive advantages and disadvantages, market share, market penetration of Our Disclosing Party, customer names and addresses, methods of operation, financial results, technological developments, information maintained on our systems; types and brands of equipment, accessories, collateral materials and other technology used by Our Disclosing Party; and any other written or verbal information considered confidential and/or proprietary by Our Disclosing Party that is revealed or obtained in the course of or in connection with the negotiation and/or performance of the Agreement.

12.1.2 In performing our obligations pursuant to this Agreement, we may have access to and receive disclosure of certain confidential information about you, your affiliates and/or parent companies ("Your Disclosing Party"), including, but not limited to the following (collectively, "Your Confidential Information"):

12.1.2.1 any of the following information, whether in discrete or collective form: customer names and addresses, vendor names and addresses;

12.1.2.2 any of the following information: your sales volume, merchandise mix, market share and amount of average sale;

12.1.2.3 your financial results, technological developments, marketing philosophy and objectives, competitive advantages and disadvantages and other information regarding the business and affairs of Your Disclosing Party that you reasonably consider to be confidential and proprietary.

12.2 Restrictions on Disclosure of Confidential Information

12.2.1 You agree, on behalf of yourself, your parent(s), affiliates, subsidiaries, directors, officers, employees, agents and representatives, to maintain the information security procedures described in Section 12.6 and to maintain the confidentiality of Our Confidential Information. You also agree on behalf of yourself, your parent, affiliates, subsidiaries, officers, directors, employees, agents and representatives that, during the term of the Agreement and thereafter without limitation:

12.2.1.1 You shall maintain Our Confidential Information as strictly confidential and not disclose any of Our Confidential Information to any of your affiliates, subsidiaries, parents, partners, shareholders, directors, officers, other than as permitted in Section 12.3.

12.2.1.2 You shall use Our Confidential Information for the sole and exclusive purpose of complying with your obligations under the Agreement and Operating Regulations.

12.2.1.3 You shall not disclose any of Our Confidential Information to any third party, including, without limitation, your own shareholders.

12.2.1.4 You acknowledge and agree that Our Confidential Information is our exclusive property. You agree not to compile, analyze, assemble or otherwise manipulate any of Our Confidential Information for any purpose and shall not permit any third party to do so using information provided by you.

12.2.1.5 You agree that Card Account numbers and Merchant Account numbers constitute our property. You agree not to sell, distribute or otherwise provide any such Card or Merchant Account numbers to any other party, except to effectuate the terms of this Agreement. You also agree to dispose of any materials containing such Card and Merchant Account numbers in a manner that will cause such account numbers to be substantially unreadable.

12.2.1.6 You agree not to collect, use or disclose any of the information described in Section 12.1.1, including, without limitation, that which relates to Cardmembers, Card transactions or Card Accounts, to any third party, including, your own shareholders, affiliates, directors, officers or employees other than as explicitly permitted in Section 12.3.

12.3 Exclusions

Our Confidential Information and Your Confidential Information shall not include information: (i) which is known to the receiving party prior to commencing any discussions with the other party on the subject matter of this Agreement and without violation of any obligation of confidentiality; or (ii) which is or becomes known to the public

generally through no fault or action of the receiving party; or (iii) is lawfully revealed to the receiving party without violation of any obligation of confidentiality; or (iv) is developed by the receiving party as a result of its own internal efforts and not as a direct or indirect result of the disclosure of information by the disclosing party.

12.4 Nondisclosure of Confidential Information

Each party agrees not to use the other party's Confidential Information nor to disclose such information to any third party, except: (i) as may be necessary for the receiving party to perform its obligations pursuant to the Agreement; (ii) as required by law; or (iii) as agreed upon in writing by the parties; or (iv) as permitted by Section 12.3. If either party as the receiving party shall disclose the disclosing party's Confidential Information to a third party pursuant to the Agreement, the receiving party shall cause the third party to agree to the confidentiality provisions set forth in the Agreement, and the receiving party shall remain responsible for any subsequent disclosure of such Confidential Information by such third party, including, without limitation, any disclosure by the third party to any other party that is not authorized to receive such Confidential Information.

Without limiting the foregoing provision, you may reveal Our Confidential Information only to those of your directors, officers or employees of any of your operating divisions or subsidiaries which you have designated either in your application, as modified from time to time as indicated in our records, at your locations that will accept the Card and who are engaged in the implementation of policies, programs or procedures in connection with your acceptance of the Card.

We will reveal Your Confidential Information only to those of our directors, officers or employees of any of our divisions, subsidiaries or affiliates which are involved in the development of the Card program and who are engaged in the implementation of policies, programs or procedures in connection with your acceptance of the Card or who perform certain research and analysis of data related to the Card Program. In addition, we may reveal Your Confidential Information in order to comply with our obligations under applicable law.

12.5 Ownership

Each party shall retain exclusive ownership of its Confidential Information. Upon request or following termination of the Agreement, each party shall return the other party's Confidential Information. Each party acknowledges the irreparable harm that would be caused to the owner of Confidential Information if such Confidential Information were used or disclosed in violation of these agreements. Each party, as the recipient of the other party's information, agrees that if the recipient of such Confidential Information violates the terms of this Section 12.0, the owner of such Confidential Information may terminate this Agreement immediately, and, in addition to other rights and remedies the owner of such Confidential Information may have, the owner of such Confidential Information shall be entitled to seek injunctive or other equitable or legal relief to prevent any continuing violation. Any violation of this Section 12.0 shall be considered a material breach of the Agreement that is grounds for immediate termination of this Agreement. The provisions in Section 12.0 shall survive the termination of the Agreement.

12.6 Data Security

You agree to comply with our information security requirements for Card transactions, as described below. While we or our agent may, at our discretion, review some of the information security requirements used by some Merchants as described below, you are solely responsible for monitoring your computer systems and related procedures to ensure compliance with our information security requirements. Our information security requirements are as follows:

- Do not retain or store Card Verification Value ("CVV") (see Section 4.4.1.1), other data in the magnetic stripe and/or the Cardmember Identification Data ("CID") (see Section 2.2) after obtaining authorization for each Card sale.
- You should ensure that regular vulnerability scans of your computer network are performed (monthly scans are recommended) and penetration tests are performed to ensure computer network vulnerabilities are identified and corrected in a timely manner. If requested by us, you will ensure that an on-site assessment of your network is conducted.
- Card Account numbers and Card transaction data that you transmit must be encrypted using current encryption standards.
- Card Account numbers and Card transaction data that you store must be stored in a secure environment that is protected by information security technologies such as encryption, firewalls and access controls. Do not store Card Account data or Card transaction data on any publicly-accessible Internet system(s) and/or server(s). Do not store CVV, other data in the magnetic stripe and/or the CID after obtaining authorization for each Card sale.
- You must utilize a firewall with strictly defined information security rules at all entry points on your computer network. An Intrusion Detection System(s) ("IDS") must be strategically placed within your network to identify suspicious activity.
- Tracking or "logging" of all users on your system must be enabled on all devices and servers that facilitate the use of Card Account and Card transaction data. The logged data must be comprehensive and include the date, time, origin and destination of the event. Analysis of logged data and system statistics should be reviewed regularly.
- You must have a security policy that includes patch and/or change control, incident response and access control. You must ensure that access to Card transaction data is password protected using password requirements, limited to those of your employees who perform your obligations under this Agreement and that you promptly revoke password access following termination of any employee.
- All remote and/or administrative access to your network must require two-factor authentication (such as an access token and a password) and encryption.

- Wireless Access Points (WiFi, 802.11, etc.) to your network must require authentication and encryption along with the ability to recognize rogue wireless devices which are not authorized to access your network.
- Computer systems that store and/or transmit Card transactions must utilize current Anti-Virus software to safeguard Card transaction data from the latest virus threats.

You agree to notify us within 48 hours at 1-800-347-3083 if there is a breach or unauthorized access to any of your computer systems used to conduct Card transactions or store Card data including, without limitation, your website, the encryption or "disguising" of data for any Card transaction or group of Card transactions, the electronic links used to conduct Card transactions, including, without limitation, any breach that may cause any unauthorized party to access Cardmember numbers. If you fail to notify us within 48 hours you may, at our discretion, be responsible for any resulting financial loss and damages incurred by us and/or Issuers.

The content of all websites on the Internet on which you accept Internet Card transactions must be secure and must comply with our information security requirements including, without limitation, the following: pages on the websites where Card numbers are entered must comply with our protocol, you may not reveal user names and passwords for Cardmembers in the source code of your website and you may not allow anonymous logins on your website. You agree that we or our agent may, at our discretion, periodically perform information security or "vulnerability" scans on your website and/or servers to ensure that you are complying with our information security and data storage requirements. Such information security scans may include passive Internet scans to detect open ports and services being offered by the web servers. The security scans may also examine your Card transaction processing procedures and the presence and effectiveness of the encryption methods that you use to disguise Card transactions conducted over your website.

If we notify you that we believe your information security procedures used to conduct Card transactions are insecure or do not comply with our requirements (for example: if our passive information security scan detects an open port on your website, or we identify procedures that we believe may lead to the compromise or unauthorized access to Card transaction data or Cardmember numbers or we determine that your firewall is inadequate), you agree to cooperate with us to adopt security procedures that are acceptable to us by a mutually acceptable deadline and to participate in periodic tests of the adequacy of such procedures. You may, at our discretion, be responsible for the resulting financial loss and damages incurred by us and/or Issuers.

We may, at our discretion, suspend your ability to accept Card transactions upon notice to you until such time as we determine that your information security procedures comply with our requirements. If you fail to develop information security procedures that meet our requirements by a mutually acceptable deadline, we may terminate the Agreement and your ability to accept Cards. You may, at our discretion, be responsible for the financial loss and/or damages incurred by us and/or Issuers as a result of your failure to comply with your obligations. You are responsible for any Chargebacks due to your failure to comply with our information security and data storage requirements and any losses experienced by Cardmembers.

12.7 Storage of CID Numbers

You must not retain any CID data for any Card transaction or any Cardmember, in your records or otherwise, for any reason, including recurring billing transactions described in Section 5.3. Furthermore, the CID must not be recorded on Sales Data or any other evidence of the Card transaction.

13.0 ADVERTISING AND PUBLICITY

13.1 Limited Permission to Use Service Marks

We permit you, for the limited and exclusive purpose of completing your obligations under the Agreement, to use the service marks identified in Section 2.2. and such other service marks as may be associated with the Card plan in your advertising and marketing materials that are designed to promote Card acceptance and the Card plan, provided that such marks are displayed in accordance with our specifications which you may find on Discovernetwork.com. This permission does not extend to service marks owned or licensed by third parties, including, without limitation, any Issuers.

13.2 Prior Approval Required for Use of Service Marks

Except as otherwise stated in the Agreement or these Operating Regulations, neither you nor we shall use the registered trademarks, service marks, logos or any other proprietary designations that are owned or licensed by the other party (collectively, referred to as the "Owner") without the Owner's prior written consent and shall submit to the Owner for prior written approval any advertising or other materials in which such proprietary designations are to be used. Such approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, we shall not be required to obtain your approval with respect to advertising and promotional materials which merely list name(s) of Merchants that accept Cards.

13.3 Display of Materials

You agree to prominently display at each of your locations, and in catalogs and websites, signage or logos showing the Discover Network acceptance mark in such manner and with such frequency as accorded any other third party credit or third party payment card accepted by you. You shall display "Take-One" Discover® Card applications at your locations where you display "Take-Ones" for other third party credit or other payment cards. You agree that you will only use or display such materials in accordance with these Operating Regulations or in accordance with any specifications provided by us. We shall, at our expense, supply signage and display materials and such other operating forms and materials necessary to promote the Card and make Card sales. Such materials, including complete and unused Sales slips and Credit slips are our property and shall be returned upon our request or at the termination of the Agreement.

13.4 Prior Consent for Press Releases

You agree to obtain our prior written approval before making any disclosure to the public or the media, whether in the form of a press release or otherwise, concerning Cards, any Card plan, any Issuer, Our Disclosing Party, or the execution or existence of this Agreement, any such disclosures required by applicable law, including, without limitation, securities law. The timing and content of such disclosure must be mutually agreed to by the parties. The Agreement and Operating Regulations do not permit you to make any disclosure to the public or the media on behalf of Our Disclosing Party, including without limitation, any Issuer.

14.0 FINANCIAL INFORMATION

At our request, you agree to provide us with financial information, including, without limitation, financial statements concerning you and/or your establishment's financial condition and general creditworthiness, and you and/or your establishment's ability to perform your obligations under this Agreement. You agree to immediately send us written notice if you become insolvent or discontinue your business or if you or any creditor files for bankruptcy or reorganization. We may request credit reports on the principals of the business, corporations and companies of said Merchant companies.

